State of the Market: A Focus on the Transportation Industry

The state of the 2024 transportation insurance industry is marked by a blend of competitive pressures, regional capacity constraints and innovative technological advancements. Trucking insurance remains a battleground for new business, while commercial auto markets grapple with firm pricing and notable market exits.

The trucking insurance segment remains competitive despite several notable market exits both nationally and regionally. This contraction in market participants has led to a tightened capacity and sustained pricing pressures. Commercial auto also continues to be competitive, with public auto becoming even more restrictive. As a result, we have seen many regional insurers unbundling trucking and commercial auto, which has resulted in an increase of E&S business.

Amidst these dynamics, technological innovations and strategic market adaptations are poised to reshape the industry's landscape, requiring vigilant preparation and proactive management from retailers and brokers alike.

CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

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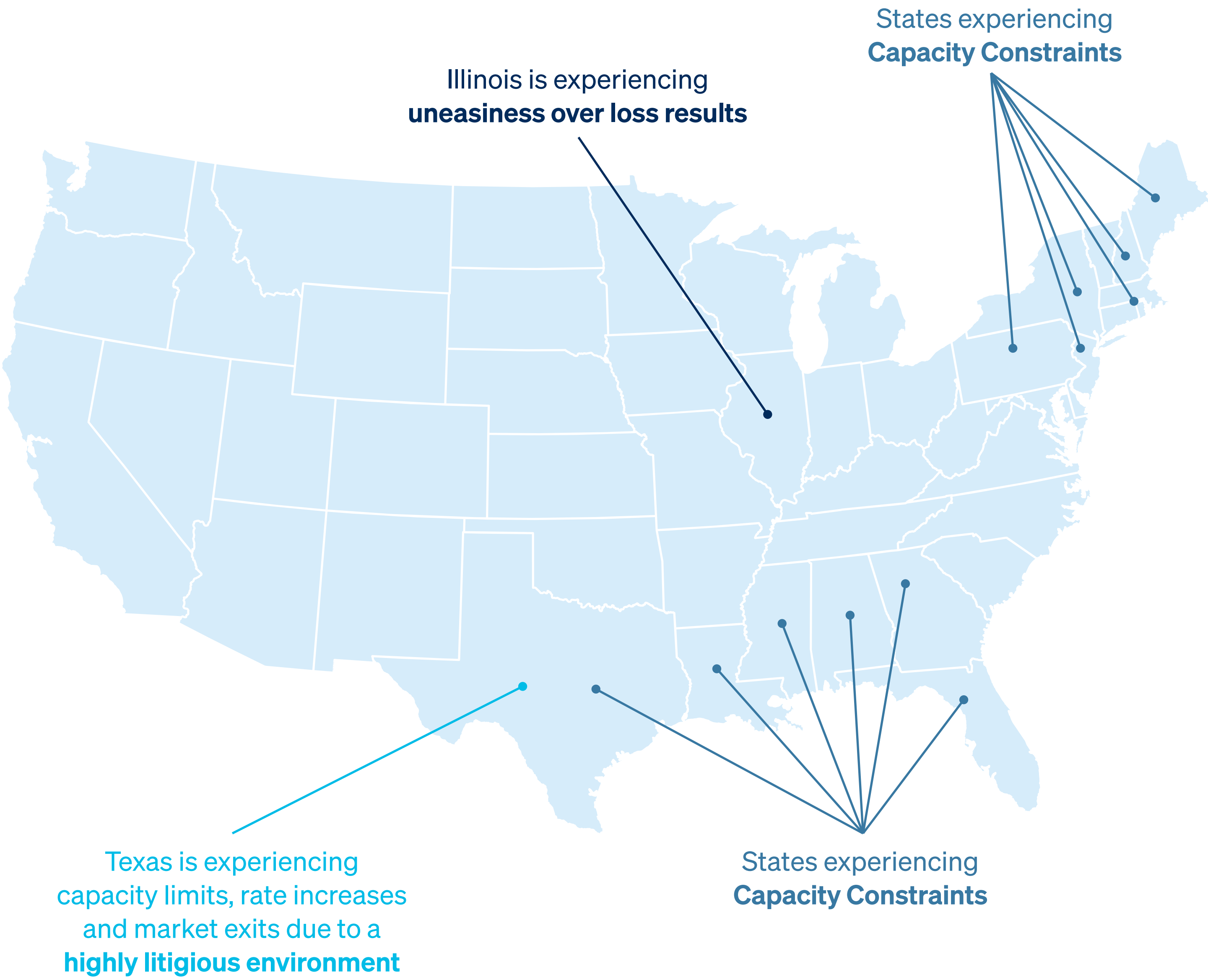
Regional variations and challenges

Despite the challenging market conditions, solutions are available – albeit at a higher premium. The Southeast, more specifically Atlanta, Florida and the Gulf states, is also experiencing significant capacity constraints, as are some areas in the Northeast. However, there are signs of incremental pricing relief for buyers in Florida, indicating a slight easing of the stringent market conditions there.

Transportation underwriters are expressing some uneasiness over loss results in Illinois, particularly in the Auto Physical Damage (APD) and Motor Truck Cargo (MTC) classes. This could indicate a more stringent underwriting approach, potentially leading to increased rates, higher deductibles, more selective underwriting or even outright declinations of certain risks.

In the southwestern part of the U.S., Texas remains a focal point due to its highly litigious environment, which is causing carriers to limit capacity, increase rates or exit the market altogether. This environment is pushing insureds towards alternative solutions, including captive insurance programs.



Capacity and pricing trends

Primary

Capacity for primary auto remains plenty, with markets fully open for new business. This trend is particularly evident in the Midwest, where aggressive rates are being offered when account characteristics warrant it. Non-fleet accounts are experiencing significant rate increases, averaging 5% or higher, with some areas such as the Southeast, Texas and California seeing hikes exceeding 25%.

Fleet accounts also face rate increases, although to a lesser extent, unless the risks justify higher rates. Aside from New Jersey now requiring (effective July 1, 2024) $1.5 million liability limits for vehicles over 26,001 GVW, not much has changed in underwriting since Amwins **state of the market** that was published in December of 2023. Simultaneously, declining freight rates are prompting more companies to shop for insurance in an effort to cut costs and remain operational, a trend expected to continue through the fourth quarter of 2024.

With more cars on the roads and more distracted drivers, we are seeing significant losses, followed by persistent rate increases. Another factor contributing to these rate increases are nuclear verdicts, and something we are seeing a lot of in Texas. Due to a rise in manufacturing and construction operations, there's a higher need for commercial fleets, but many companies are facing a shortage of drivers. To cope with this, some companies are lowering their standards for applicants. As a result, there's an increase in losses and claims related to commercial auto incidents. Considering these factors, we are seeing double-digit rate increases across the board, even on clean, profitable renewal business. We are not having any issues with capacity currently, but we are seeing more carriers exiting the auto marketplace and/or pushing higher minimum premiums.

Excess

In the excess insurance segment, smaller risks (under 100 units) are experiencing more stability, while larger risks face significant challenges. Chubb's exit from the market or imposition of corridor requirements has forced many insureds to make difficult decisions, leading to increased opportunities for replacements but also frustration among clients.

There is an increasing trend of Quota Share requests from wholesale markets on large excess towers as carriers look to reduce their capacity exposure. This is creating both challenges and opportunities in the market. For example, reduced capacity from larger carriers, leading to increased pricing pressures and complex renewal decisions for insureds, is one of the biggest challenges. However, these dynamics also present opportunities for smaller insurers to increase market participation, offer innovative products and strengthen broker relationships.

London

While the overall market is witnessing a mixture of stability and pressure, the London market remains relatively hard, especially for small to medium-sized fleets. However, there has been a slight reduction in rates for larger trucking operations, suggesting a nuanced approach to pricing.

Technological advancements

Technology continues to drive innovation within the industry. Notable advancements include the use of artificial intelligence (AI) and autonomous vehicles, though the latter has seen a slowdown. Another promising technology involves eyeball scans to detect driver impairment due to drugs, alcohol, fatigue or stress. This innovation could significantly enhance safety and operational efficiency in the future.

Modern dashcams are also built to take advantage of AI technology. These updated devices can identify critical safety factors, including the ability to:

- Observe drivers' facial movements for signs of exhaustion and advise when it's time for a break.
- Detect drivers' seatbelt usage and advise that seatbelts must be worn during operation of the vehicle.
- Record stoplights, tracking drivers who run red lights and rewarding others for good driving practices.
- Help prevent collisions by offering multiple views of traffic around a vehicle, even offering a side view in conjunction with larger vehicles.

Economic and inflationary pressures

The transportation industry's vulnerability to legal claims has exacerbated inflationary pressures, impacting the cost of goods and services. For example, electric vehicles rely on expensive technology that can easily be damaged. As a result, more electric vehicles are now considered "totaled" and this has caused claims to increase across the board.

At the same time, third-party litigation financing has increased the number of claims brought before the courts, amplified reward demands and made it harder for cases to be settled out of court. Nuclear verdicts (verdicts that award $10 million or more to the plaintiff) are pushing larger than necessary settlements, causing the value of claims to skyrocket over the last five to eight years.

All of this has forced insurance carriers to not only increase premiums but cut capacity and highlight the need for legal and regulatory reforms to address escalating costs.

Outlook for the remainder of 2024

Renewal challenges

Excess: Retailers should prepare for continued challenges in the remaining quarters of the year. However, smaller deals (20-200 units) are expected to see ample capacity and competitive pricing. We are seeing insurance carriers across the board pushing for more rate, especially in the more trying states like California, Texas, Florida and Georgia. Most of the carriers, especially on the underwriting side, are anticipating the same until the end of the third quarter with a slight shift for the better in the fourth quarter of 2024.

To assist with smaller deals, Amwins offers an exclusive in-house excess transportation product available within the first $5 million layer. To learn more about our capabilities, talk to your Amwins broker today.

Strategic preparation: As the transportation insurance market continues to evolve, staying abreast of market trends and strategically managing capacity and pricing will be essential for success. Maintain close communication with your broker or underwriter – they can help navigate new and renewal business opportunities effectively while also helping to proactively address client concerns.

By completing submissions that paint an accurate picture of the risk, brokers can help expedite the underwriting process. The more data you can provide the better. Taking telematics, video and collision avoidance technology into consideration can open an insured up to discounts and potential savings in premiums.

We help you win

Amwins is your end-to-end transportation specialist, with comprehensive coverage for short- and long-haul trucking operations, commercial and public auto, aviation, maritime businesses and more. Our comprehensive suite of solutions is designed to address a broad range of transportation business risks.

From a single unit to an entire fleet, Amwins equips our retail partners with the power of a dedicated, multi-national commercial transportation insurance practice group. Our team of dedicated transportation specialists leverages more than 250 unique carrier relationships to quickly and strategically place property and casualty coverages for a wide range of commercial transportation insurance risks -- exercising all options to solve your clients' challenges.

Having a partner that understands the market – as well as the transportation industry as a whole – gives you a competitive advantage. Contact your Amwins broker today.

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