

# DRIVING FORCES

## STEERING THE RISE IN AUTO RATES

### NUCLEAR VERDICTS

Insurance companies are facing higher settlements for court-awarded damages. Corporate nuclear verdicts **nearly quadrupled** from \$4.9 billion in 2020 **to over \$18.3 billion in 2022**. A big driver is plaintiff attorneys' use of Reptile Theory: a tactical litigation strategy designed to take advantage of the insurance defense approach to litigation. *(Source: P&C Specialist)*

### INFLATION

The cost of paying claims has been **increasing roughly 7.5% per year**. Medical cost inflation is also expected to grow 7% in 2024, up from 6.0% in 2023. *(Source: PwC Health Research Institute)*

### DISTRACTED DRIVING

Fueled by the proliferation of mobile devices and vehicle infotainment systems, distracted driving has contributed to an **\$18% rise in preventable crash deaths**. *(Source: The American Automobile Association)*

### INCREASED COST TO REPAIR

Today's vehicles are full of technology that was unheard of a decade ago. **Driver assistance and safety technologies now command 40%** of a new vehicle's cost, expected to increase to in the coming years. Advanced technologies have made repairs more expensive, and vehicles equipped with advanced driver-assistance systems (ADAS), can escalate repair costs by up to 37.6% following a crash. There has also been a **notable 6.7% increase in the cost of vehicle repair** for parts and labor from 2023 to 2024. *(Sources: Consumer Price Index, Auto News, SafetyWissen, Deloitte)*

### EXTREME WEATHER

The increase in severe weather events, including thunderstorms, wildfires, heatwaves, and hurricanes, has resulted in **more than \$1 trillion in damages** since 2017. This is leading carriers to not only increase pricing but also physical damage deductibles to offset the unpredictability of extreme weather.

### INCREASING FREQUENCY

Commercial collision claims **rose by double-digit percentages** in the post-pandemic years, *(Verisk's Actuarial and Strategic Data Insights)*

### LABOR SHORTAGES

Prevailing driver shortages present **a formidable challenge** for the commercial auto insurance sector, leading to companies lowering their applicant standards to address staffing shortfalls. Limited experience and less than average MVRs make drivers **more susceptible to accidents**.

### DETERIORATING INFRASTRUCTURE

Aging and poorly maintained highways and bridges are a **significant contribution to vehicle damage** and auto accidents. The deterioration of infrastructure continues to be a concern due to limited state budgets, rising costs due to inflation and shortage of labor to repair.



QUESTIONS?

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