

HUB 2023

Outlook.

Transportation



**Harness technology
to improve operations
and curb inflation.**



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Vitality
Resiliency
Technology

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Assume more risk
Emphasize safety
Be transparent with your broker

Be Prepared

2023 Transportation Industry Outlook
and Insurance Market Rate Report

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HUB Transportation

Setting the Scene

Accelerating costs, driver shortages will test transportation industry.

Rising prices are pressuring trucking fleets, but investing in driver recruitment and retention, technology and cyber defense can reduce risks and position carriers to maintain profitability and resilience.

1. American Transportation Research Institute, "[An Analysis of the Operational Costs of Trucking: 2022 Update](#)," August 2022.

The cost of trucking in 2021 increased to its highest level in 15 years, coming in at

\$1.855
per mile.¹

What to Expect in 2023

Low unemployment and a significant number of drivers nearing retirement will continue the driver shortage. Rising prices for gas, vehicles and replacement parts will add to the challenges facing fleets. However, technological advances will help improve logistics, recruitment and retention and keep drivers safer on the road.



Rising costs will put the brakes on profits.



Nearly every line item on a fleet carrier's budget increased in 2022, straining profitability. Vehicle insurance increased 7.4%. The price of a new vehicle escalated 10.4%, and used vehicle prices surged 6.6%, making it extremely difficult to upgrade a fleet.²

Gas prices more than doubled between June 2021 and June 2022.³ Though carriers felt a reprieve in the fall of 2022, the ongoing war between Russia and Ukraine makes it unlikely that energy prices will fall back to 2021 levels soon.⁴

In addition, supply chain delays and the high cost of replacement parts present additional challenges for fleets, delaying equipment repair.

However, fleets with best-in-class risk management programs and excellent driving records backed up by data have reason for optimism: they are likely to secure favorable insurance rates or even slight rate reductions in 2023, helping to offset rising operations costs and improve profitability. But transportation firms with below-average driving scores and high incident frequency will face pricing challenges, with rates rising at least 5% to 10% and increased deductibles.

2. U.S. Bureau of Labor Statistics, "[Consumer Price Index unchanged over the month, up 8.5 percent over the year, in July 2022](#)," August 15, 2022.
3. U.S. Energy Information Administration, "[U.S. All Grades All Formulations Retail Gasoline Prices](#)," September 26, 2022.
4. Yahoo Finance, "[Don't expect gas prices to go much lower](#)," September 16, 2022.



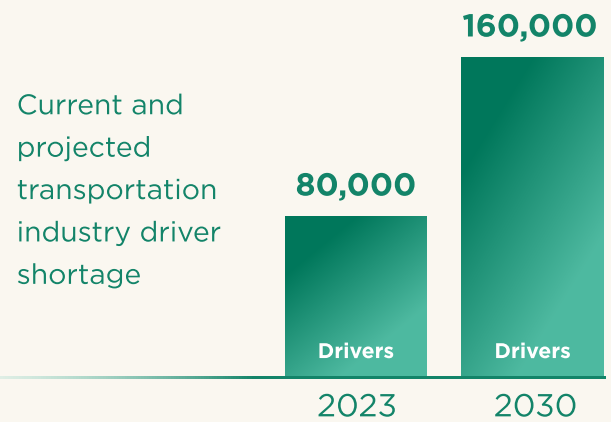
Investing in drivers will spur recruitment and retention.

The industry-wide driver shortage will remain a significant issue in 2023. Currently, the transportation industry is short 80,000 drivers — a figure projected to rise to 160,000 by 2030.⁵

Some companies are substantially raising pay and offering signing bonuses. Walmart announced that it would pay private fleet truckers up to \$110,000 their first year.⁶ Others are competing by offering improved education and training, innovative health and wellness benefits, and incentive programs. Carriers are also emphasizing a strong company culture to help drivers create work-life balance and feel connected to the organization.

For the many fleets that rely on independent contractors, innovative technology platforms can help connect drivers and their families to self-funded health insurance. Such options not only ensure drivers have access to a minimum level of coverage, but also can include personalized benefits that deliver [quality employee experiences \(QEX\)](#) that increase driver retention, such as health savings plans, retirement options and wellness programs.

With nearly 44% of long-haul drivers reporting struggles with depression and more than a quarter abusing drugs, a benefits program that includes health and wellness resources can support drivers and mitigate the big-ticket risks and lawsuits associated with driver drug use.⁷



5. American Trucking Associations, "[Industry Short 80,000 Drivers Today, May Be Short 160,000 by 2030.](#)" October 25, 2021.
6. CNBC, "[Why driving big rig trucks is a job fewer Americans dream about doing.](#)" July 5, 2022.
7. American Addiction Centers, "[Drug & Alcohol Rehab for Truck Drivers.](#)" September 7, 2022.



Reduce accidents and lawsuits by driving technology and training.

The cost of insurance for fleets per mile driven has increased 47% over the last 10 years, with rising costs for maintenance and repair and an uptick in litigation contributing to higher premiums. With a number of drivers on the verge of retirement and inexperienced drivers entering the workforce, premium costs could climb even higher.



The surge in “nuclear verdicts” — jury verdicts of \$10 million or more⁸ — is adding to the industry’s burdens. An escalating number of lawsuits targeting commercial fleets are being financed by private equity firms, which can extend the length of litigation and reduce the likelihood of settlement. This problem may worsen in 2023 and beyond.⁹

However, the rise of in-cab telematics and driver and rear-facing cameras may aid driver training and help reduce claims. With technology able to record and almost instantly deliver accident information, claims adjusters can investigate incidents quickly, helping protect drivers when they are not at fault, prevent claims from going to litigation and speed up adjudication and settlement.

Technology can also enhance a fleet’s overall risk profile by creating an opportunity for continuing driver education and retraining. Regular reviews of driver telematic data can help correct improper behaviors and reduce accidents. And sharing the data with insurers can help transportation companies obtain the best coverage and rates.

8. Supply Chain News “[Supply Chain News: Impact of Rising Insurance Costs for Truckers](#),” February 22, 2022.

9. American Trucking Research Institute, [The Impact of Small Verdicts and Settlements on the Trucking Industry](#), November 17, 2021.



Technology will boost safety, but cyber controls are essential.

For several years, fleet operators have embraced technology to improve safety, efficiency and vehicle performance, while demonstrating a good risk profile to insurers.

Technology is helping cut costs: For instance, route management software and diagnostic monitoring equipment are optimizing delivery planning and reducing repair costs. Electronic control units and electronic logging devices can improve vehicle security and record driver behavior, thereby enabling insurers to reward safe drivers in insurance pricing.

But with innovation comes risk. Transportation was the seventh-most targeted industry by hackers in 2021,¹⁰ with ransomware a significant threat.¹¹ Cybercriminals who breach digital in-cab systems can access fleet data and shut down a vehicle, endangering the driver and others. In fact, a bad actor can hijack logistics, monitoring systems, telematics and more through a single vehicle's access point.

Fleet carriers can mitigate these risks by implementing a minimum of multifactor authentication (MFA) and endpoint detection and response. Updating cyber security plans, reducing access to sensitive information and training drivers on how to recognize cyber scams are essential defenses against cybercrime.



10. CCJ Digital, "[Cybersecurity tips fleets can use against modern-day pirates](#)," August 12, 2022.

11. FreightWaves, "[6 lessons learned about cybersecurity and freight in 2021](#)," January 2, 2022.



Make a plan

HUB transportation specialists will work with you to develop a tailored strategy that will protect your bottom line, support your workforce and build resiliency for 2023. Here are some initial considerations:



Take care of your drivers.

Fleet carriers competing for qualified drivers can set themselves apart from competitors by supporting the health, safety and wellbeing of their workers. HUB Drive Contractor Benefits connects independently contracted drivers with a benefits program designed exclusively for them.



Assume more risk.

Taking a higher deductible is just one way to reduce premiums and improve experience rating by reducing claims frequency. Ask your HUB broker about other options such as captive solutions, self-insurance and risk retention groups.



Emphasize safety.

Make safety a tenet of the organization. Train and onboard drivers to understand expectations and embrace telematics as a re-training tool. Take advantage of technology platforms to glean how your fleet's driving behavior compares with peers and help guide continuing driver education.



Be transparent with your broker.

Let your broker know what changes you've made to the business, so there are no surprises at renewal time. Share telematics with your broker, who can leverage your score to lower insurance costs. Review exposures and insurance needs at least 90 days prior to policy renewal, so your broker can identify the best options.



Be Prepared

HUB International analyzes proprietary national survey data and interviews commercial insurance brokers and risk services consultants to create an annual rate outlook for the Transportation industry.

We expect rate increases for nearly all coverages in Transportation, as carriers are experiencing high losses and expenses.

On the next page is our outlook on Transportation insurance rates for 2023. Discuss your business exposures with your HUB insurance broker to understand what to expect in advance of your next renewal.



Transportation Industry Rate Outlook – U.S.

Coverage	2023 Transportation Rate Guide	Insights
Commercial Automobile: 5 Vehicles or Less	↑ 5% to 10%	Increased repair costs, medical inflation and litigation trends are negatively impacting the rates, but best-in-class risks can expect flat to slightly decreased rates. Underwriting efficiencies will speed up quote turnaround times.
Commercial Automobile: Greater than 5 Vehicles	↑ 5% to 10%	Litigation trends, increased repair costs and medical inflation continue to diminish underwriting performance industrywide. Prompt claims reporting, solid compliance controls and hiring best practices can mitigate risk and help policyholders obtain more lenient rates.
Contingent Liability / Contingent Cargo	↑ 10% to 25%	Expect increased underwriting scrutiny of exposures and be prepared to answer additional questions during the submission/renewal process.
General Liability	↔ Flat to 5%	General liability remains a small expense compared with other lines of business.
Physical Damage	↑ 10% to 15%	Expect higher premiums from the increasing value of equipment and rate inadequacy.
Workers' Compensation	↔ Flat to 5%	Rates are stable, but as companies add less experienced drivers to their workforce, claims may increase. Maintaining good hiring and onboarding practices along with providing an effective health and wellness program can prevent future injuries and claims.
Umbrella / Excess Liability	↑ 10% or higher	New entrants and increased capacity in the market have leveled off rates and prompted carriers to reassess their limits. However, policyholders can expect additional underwriting scrutiny. With the availability of new technology and analytics, underwriters are reviewing electric monitoring device scoring to better match premiums to exposures and requiring the installation of both outward- and inward-facing cameras in exchange for relief on rate.

Transportation Industry Rate Outlook — U.S.

Coverage	2023 Transportation Rate Guide	Insights
Management Liability	↑ 10% to 15% or higher	Employment Practices Liability Insurance rates are being driven by employee misclassification claims. Expect rates to vary by geography.
Cyber Liability	↑ 20% to 40% or higher	Compared with the last two years, rates have begun to ease for clients without significant exposure changes or claims who also have the requisite cybersecurity controls in place. Clients with substandard controls (i.e., lack of multifactor authentication (MFA), endpoint detection and response (EDR), and offline backups) will experience challenging renewals and a lack of market competition.
Motor Truck Cargo	↔ Flat to 5%	Improved fraud prevention efforts and claim technology has made the market more competitive, attracting market entrants and creating rate stability.
Warehouse Legal Liability	↔ Flat to 5%	Claims frequency has decreased and rates have stabilized with the increased use of anti-theft precautions such as camera technology and fraud prevention.

NOTE: Rate is typically defined as the amount of money necessary to cover losses, expenses, and provide an insurance company with a profit for a unit of exposure. **Exposure** refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

Transportation Businesses — U.S.

Business	2023 Rate Outlook	Insights
Auto & Truck Dealers	↑ 5% to 10%	The overall market is showing signs of stability, but companies can expect unprecedented rate increases for any catastrophe-exposed properties.
Courier & Delivery	↑ 10% to 15%	Auto is the main driver of rate, particularly insureds with exposure to last mile and food deliveries.
Garage & Repair Services	↑ 5% or less	Rates are stable overall and insureds with contingent coverages and clean accounts can expect flat renewals.
Moving & Storage	↑ 10% or higher	Underwriters have yet to harness analytics for underwriting exposures in this sector. Insureds with losses can expect rate increases of 20% to 30% or more.
Public Auto	↑ 5% to 10% (Primary Auto) ↑ 20% to 50% or higher, if coverage available (Excess Liability)	While the market has experienced significant fluctuation, overall rates have gradually risen for the last several years. Well-controlled accounts can expect average rate increases of 8% to 12% for limousines, and slightly less for busses. For excess liability, litigation trends have prompted insurers in some jurisdictions to exit the market, limiting the number of standard carriers and reducing capacity. Underwriters will require best-in-class risk.
Shared Economy	↑ 10% to 20%	Insureds who properly manage and deploy cameras, telematics and behavioral scoring will begin to see prices stabilize. However, rising population trends have led to rate spikes in certain areas. Several reinsurance carriers and fronting papers have exited the market, creating further complications.
Trucking	↑ 5% to 10%	Companies that deploy safety technologies and have controls in place for operations, driver safety and compliance can expect competitive rates as more insurers enter the market.

HUB Transportation

When you partner with us, you're at the center of a vast network of experts who will help you reach your goals. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB transportation insurance specialist.

\$1.37B

in commercial insurance
premium brokered by HUB

22,906

transportation clients

54,301

insurance policies
managed

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