

Rising Insurance Costs and Mitigation Strategies

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ATRI

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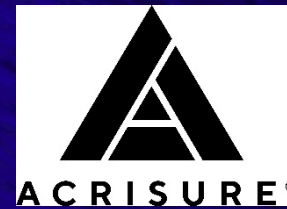
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Trucking's Rising Insurance Costs: Issues and Opportunities

- 2025 RAC priority
- Focuses on auto liability insurance coverage
- From 2021 to 2024, premium costs up 18.6% to 10.2 cents/mile
 - ◆ Outpacing consumer inflation by 5.4 points
 - ◆ Even as heavy-duty truck crash rates fell by 2.6%
- Report updates and expands previous ATRI insurance research to document coverage and cost trends and benchmarks by layer as well as strategies for managing the cost of risk

Trucking's Rising Insurance Costs: Issues and Opportunities

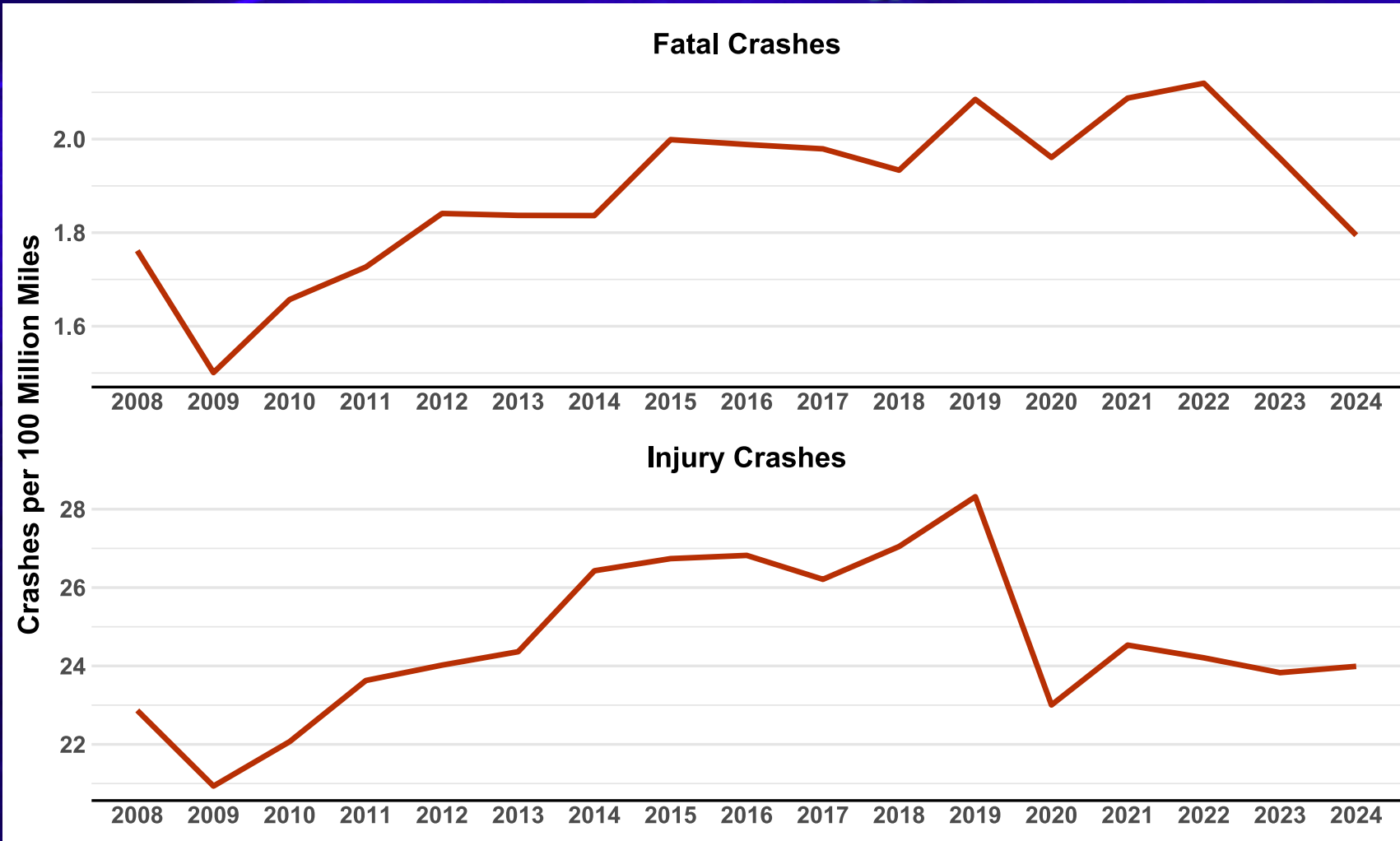
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Prepared by the American Transportation Research Institute



Crash Rates Sustain Post-Pandemic Improvements



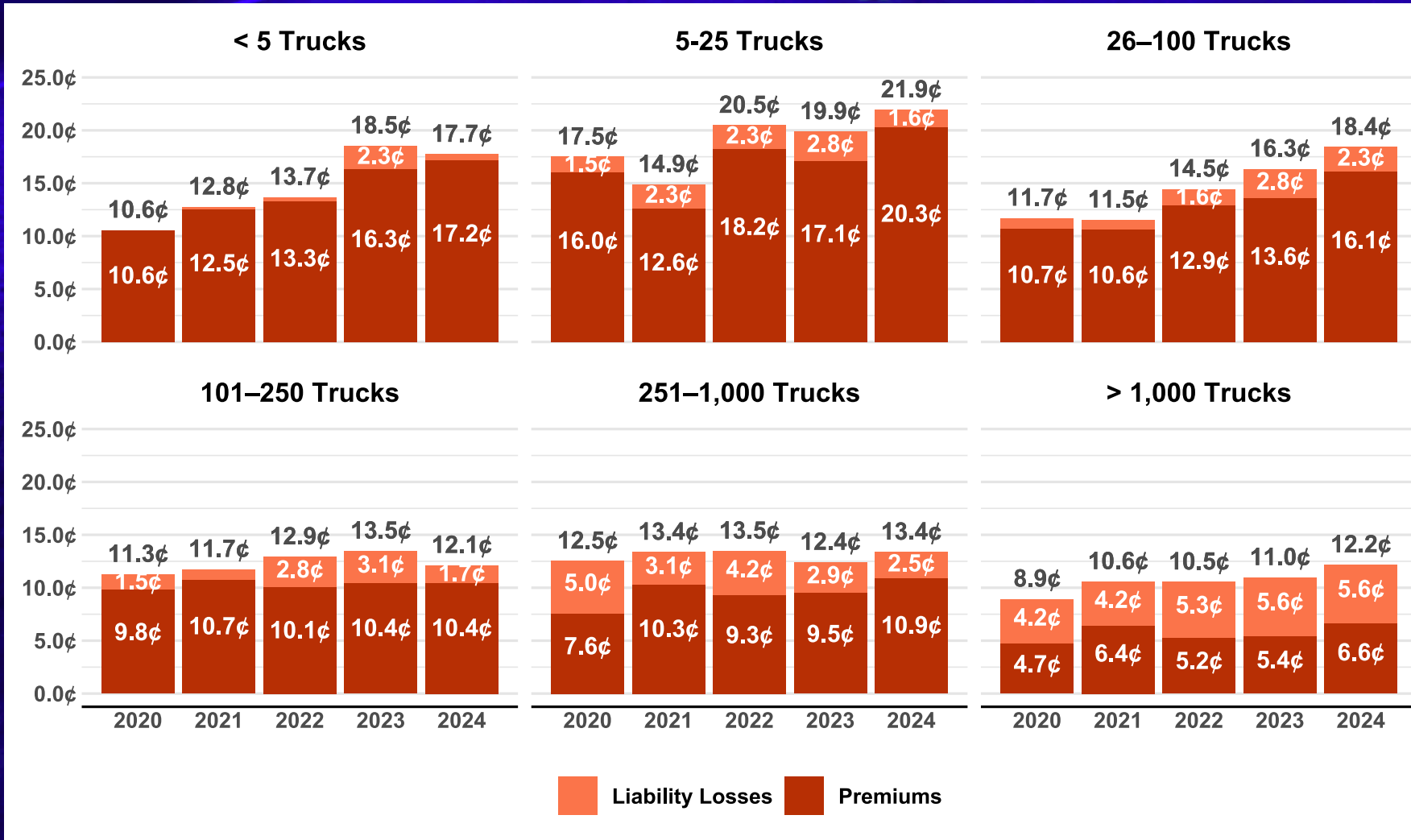
- Combined heavy-duty truck-involved crash rate (per 100 million miles) has dropped 2.6% since 2021 and 10.0% since 2015

Source: FMCSA MCMIS

Crashes Penetrating \$5M Coverage Still Rare

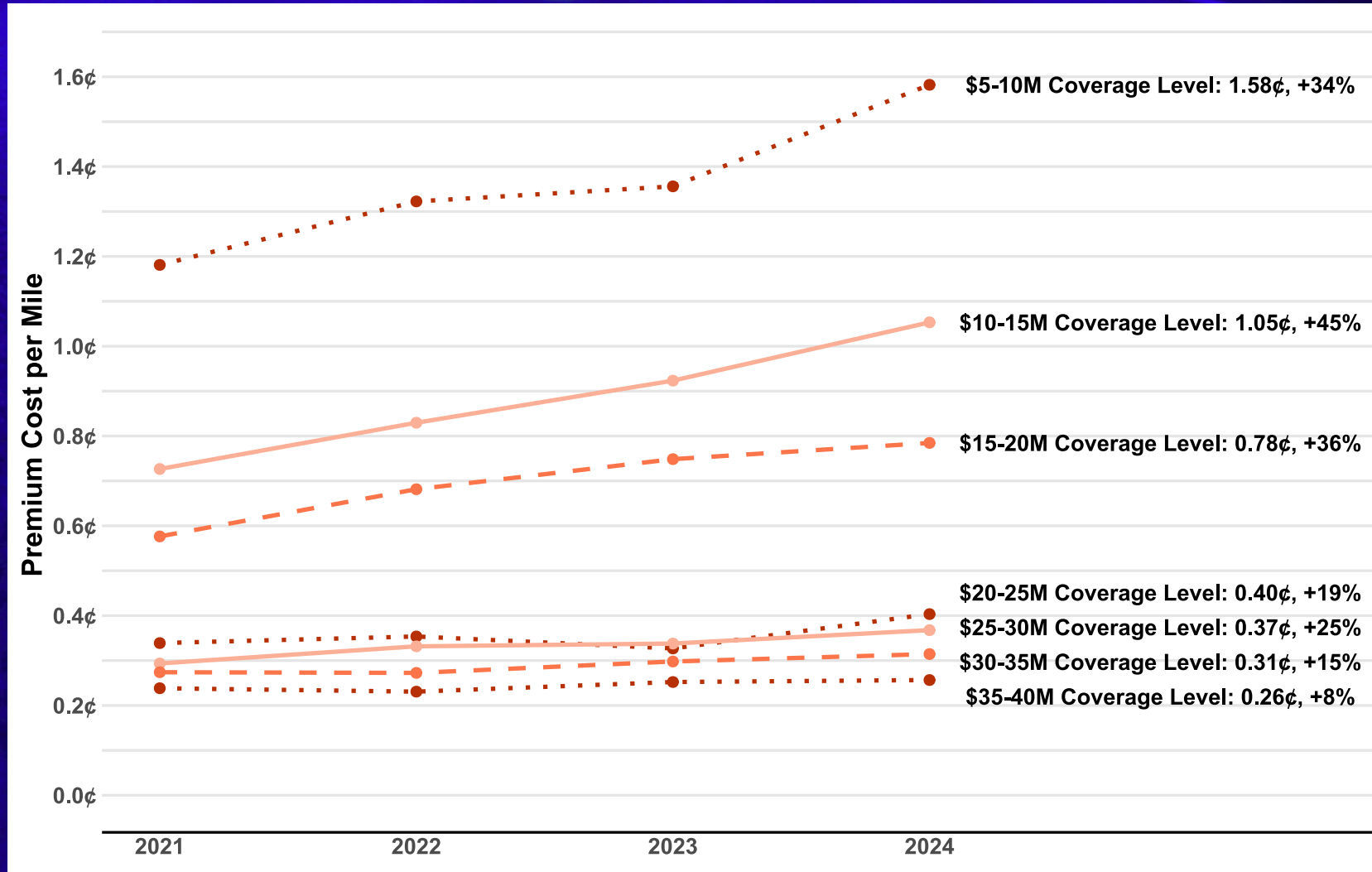
Year	Respondent Crashes Penetrating \$5M Coverage	Respondent Total DOT-Reportable Crashes	Percent of Crashes Penetrating \$5M Coverage
2021	4	3,033	0.13%
2022	7	3,055	0.23%
2023	6	2,685	0.22%
2024	5	2,681	0.19%
Overall	22	11,454	0.19%

Per-Mile Premium Costs Rising



- 5-25 trucks: +26.9%
- 26-100 trucks: +50.4%
- 101-250 trucks: +6.1%
- 251-1,000 trucks: +43.4%
- 1,000+ trucks: +40.4%

Excess Coverage Costs per Mile Rising



Median Coverage Limits per Mile Largely Stable

Fleet Size	Median Coverage Limit	Middle 50 Percent of Coverage Limits	Change in Mileage 2021-2024
< 26 Trucks	\$1.5M	\$1.0M – \$2.0M	-24.9%
26-50 Trucks	\$2.0M	\$1.5M – \$3.5M	5.5%
51-250 Trucks	\$5.0M	\$2.0M – \$8.5M	13.4%
251-500 Trucks	\$10.0M	\$5.0M – \$40.0M	4.9%
501-1,000 Trucks	\$18.0M	\$14.0M – \$40.0M	-5.0%
1,000+ Trucks	\$45.0M	\$40.0M – \$50.0M	3.2%

- Majority of fleets (65%) had the same coverage limits in 2024 as 2021
- Mileage increased for most fleet sizes, however, meaning more exposure

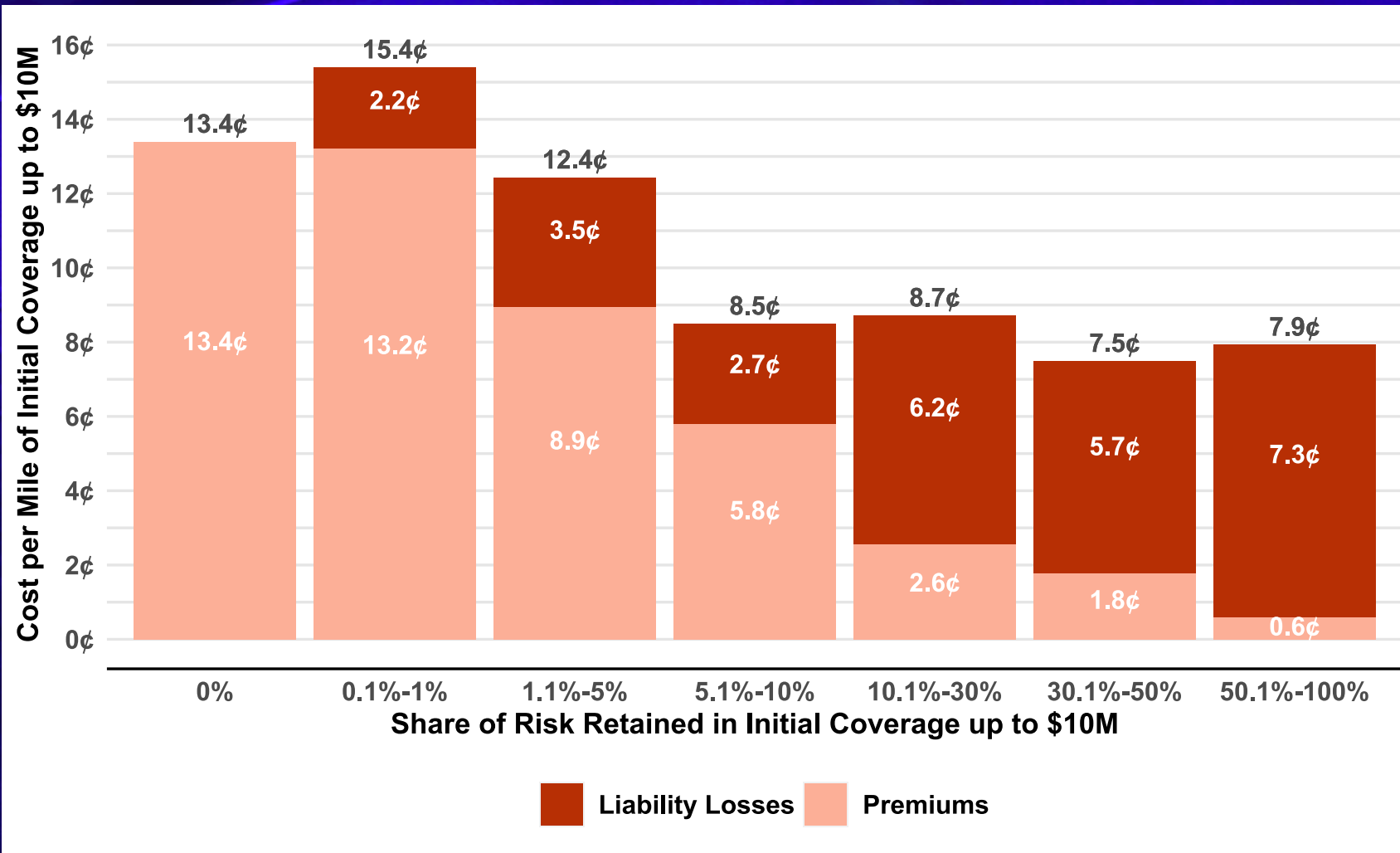
Deductible vs Self-Insurance Usage

Fleet Size	Fleets with First-Dollar Coverage	Fleets with Deductible	Median Deductible	Fleets with Self-Insurance	Median Self-Insurance
< 51 Trucks	20%	80%	\$7,500	0%	—
51-500 Trucks	22%	39%	\$10,000	39%	\$250,000
501-1,000 Trucks	0%	10%	\$5,000,000	100%	\$1,000,000
1,000+ Trucks	0%	27%	\$5,000,000	91%	\$2,000,000

Despite Better Safety and Coverage Consistency, Premium Costs Rise

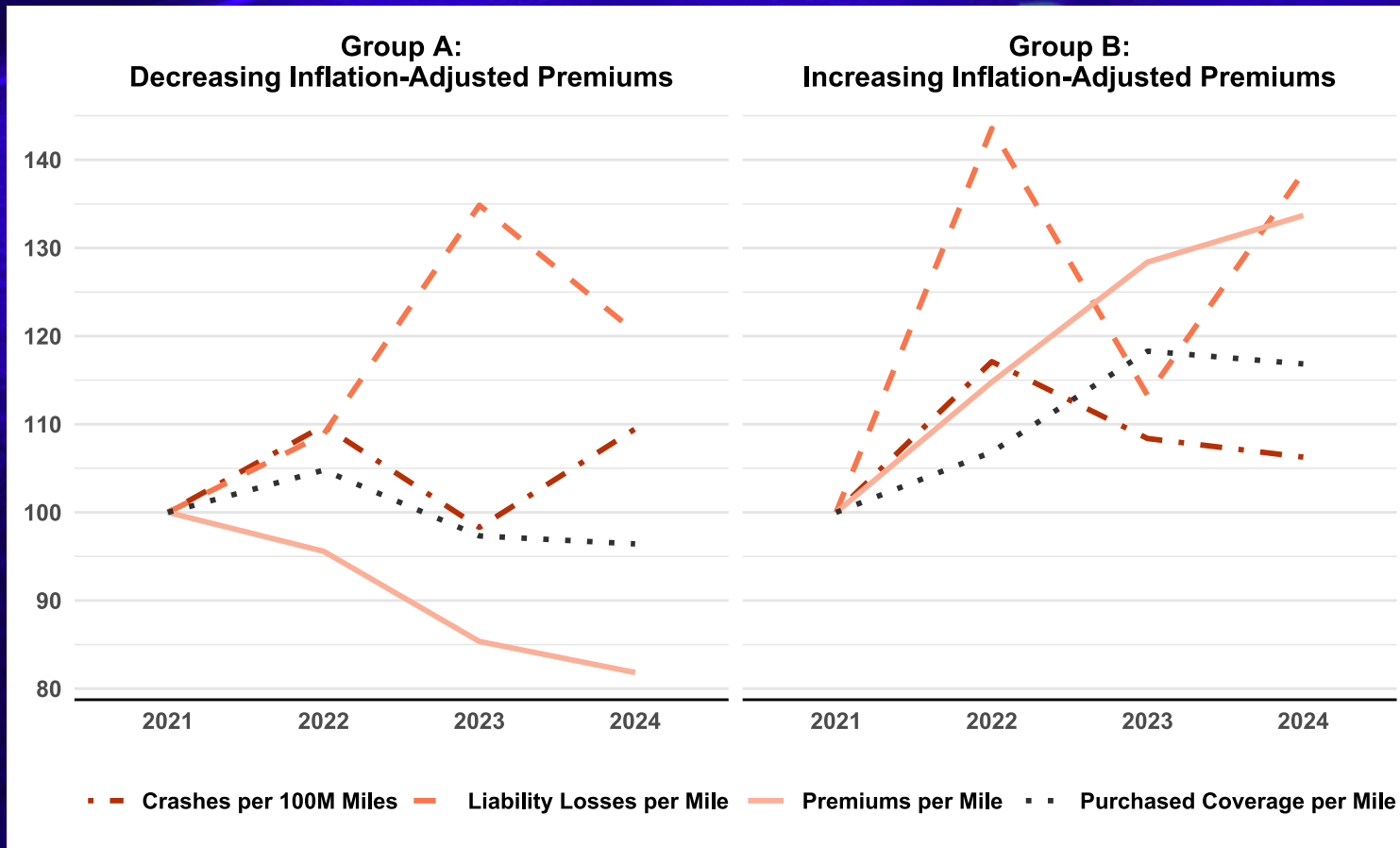
- Total lawsuits against trucking rising 3.7% each year on average
- Costliest half of litigation awards rising by 5.7% each year on average
- Medical care inflation from 2010-2020 consistently tracked one to two points higher than consumer inflation each year
- Crash costs rising: among respondents, liability losses per mile up by 33.1% on average
- Premium pricing still correcting for insurer losses over the past 15+ years: combined ratios of 109.2 in 2023 and 107.2 in 2024
- Capacity leaving commercial auto segment further increases premium costs for insureds

Risk Cost Improves with Share of Primary Risk Retained



- Per-mile premium costs fell steadily as more risk was retained
- Rising per-mile liability losses undercut overall savings at higher retention levels

Fleets with Decreasing vs Increasing Premiums



- Index of inflation-adjusted year-over-year change
 - ◆ 100 = base year 2021; 110 = 10% increase over base year, etc.
- Fleets with decreasing inflation-adjusted premiums:
 - ◆ Had decreasing purchased coverage per mile
 - ◆ Had less and more consistent change in per-mile liability losses

Reducing Total Purchased Coverage Improved Risk Costs

Change to Total Purchased Coverage	Frequency of Change	Change in Premium Costs per Mile	Change in Liability Losses per Mile	Change in Combined Costs/Losses per Mile
Decrease	13.3%	- 7.2%	9.8%	- 2.4%
Increase	14.3%	9.5%	1.4%	6.1%
No Change (Baseline)	72.4%	4.2%	8.0%	4.8%

- Average change in *inflation-adjusted* year-over-year liability losses and premium costs, 2021-2024, based on whether a fleet increased, decreased, or did not change total purchased coverage (total coverage minus deductibles and/or self-insurance)

Safety Technologies Correlate with Lower Losses

Safety Technology Deployment	Correlation with Per-Mile Liability Losses	Level of Statistical Significance
Forward collision warning	-0.46	$p < 0.01$
Lane departure warning	-0.38	$p < 0.05$
Collision mitigation system	-0.34	$p < 0.05$
Automated emergency braking	-0.31	$p < 0.10$
Blind spot detection	-0.28	$p < 0.10$
Adaptive cruise control	-0.27	$p < 0.10$

- Lane keeping assist, lane centering assist, active steering assist, road-facing cameras, and driver-facing cameras did not have statistically significant correlations

Alternative Risk Transfer for Cost Reduction

Alternative Risk Transfer Technique	Percentage of Large Fleets (750+ Trucks) Utilizing
Quota share layer (between insured and insurer)	42%
Corridor deductible / aggregated layer	42%
Multi-year aggregated program	32%
Swing / retrospectively rated layer	21%
None of the above	32%

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