

Auto Insurance Premiums Are Going Through the Roof! What Can You do About It?

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If you pay your company's auto insurance premiums, you already know this—auto premiums are going through the roof! It is not uncommon for commercial insurers to increase renewal pricing 15-25%, and in some cases, even more! Why are rates skyrocketing? What has caused this dramatic increase in loss ratios over the past eight years?

Insurance Company Economics

Insurance companies make money two ways: underwriting and investments. *Investment income* is pretty self-explanatory. The industry invests their reserves or surplus and the money they earn is investment income. *Underwriting income* is also fairly straightforward. You divide losses plus overhead by premiums to calculate a *Combined ratio*. If your combined ratio is under 100%, you make money, if it is over 100%, you lose money.

Most insurance companies are seeking a combined ratio of 90-92%. The 8-10 points of profit, coupled with investment income will provide the *return on equity* that their shareholders demand. Unfortunately, this hasn't been the case for Commercial Auto Insurance in any of the last 10 years. The best combined ratio was 96.6% in 2008 and it topped out in 2016 at 110.4%. This is the sixth year in a row underwriters have lost money on auto insurance and 2017 will be the seventh. It is predicted that once figures



are tallied for 2017, they will be even higher than 2016. Needless to say, the 500,000 cars totaled in the Houston floods didn't help. Clearly the industry needs rate increases!

What happened? Why has experience deteriorated?

There are several reasons. The obvious one is distracted driving. How often do you pull up next to someone or behind someone who is stopped at a green light because they are checking their phone? How often have you swerved lanes because you were checking yours or were distracted in some other way? This has caused accident frequency to jump up dramatically.

At the same time, there are more drivers on the road driving more miles mainly attributable to a positive economy. Bodily injury costs have escalated due to increased medical costs. Physical dam-

age costs have increased because it is much more expensive to replace a sensor and camera laden bumper than it was 10 years ago when that technology didn't exist.

For all of these reasons, commercial auto insurers are carefully underwriting their existing accounts and are scrutinizing any new business opportunities.

The Key to Managing Your Auto Insurance Costs

While there is no one right way to manage this exposure, the first step is a well-written Fleet Safety Program. This program would encompass the following steps:

1. Develop and implement a written fleet management program that includes:
 - a. Driver selection
 - b. Vehicle use policy
 - c. Vehicle inspection and preventive maintenance
 - d. Vehicle accident procedures
 - e. Accident investigation
2. Implement an effective Driver Training Program. This would include:
 - a. **Classroom** - This is the most effective form of training as it allows for instructor and student interaction and discussion of the subject matter. Employers have a lot of flexibility as the material can be customized to their particular risk and exposure.
 - b. **Online** - For those short on time or with no place to conduct classroom training, online training can be adequately formatted and controlled with quizzes and progress checks that prohibit the student from simply clicking rapidly through the material.
 - c. **Third-Party Training** - Many local law enforcement agencies, such as the California Highway Patrol, have Public Information Officers available that provide effective, useful, and true-to-life training on distracted driving, DUI, etc.



- d. **Behind the Wheel Training and Evaluation** - For problem drivers or those who need remedial training, behind-the-wheel training is an excellent way for employers to adequately judge an employee's driving skills and attitude and provide real time coaching and feedback that can be impactful and effective in improving the driver's skill level.
3. Review the list of authorized drivers for accuracy and run current MVRs on all approved drivers.
 4. Consider the use of a *telematics* system that tracks driver performance such as hard starts, stops, lane changes, etc.
 5. Utilize the state provided Employer Pull Notice Program that, for a small fee, automatically provides updates on driver citations and accidents.
 6. Review, update and implement the company's Emergency Response Procedure (what to do in the event of a vehicle accident).
 7. Develop and implement Claims Management Best Practices
 - a. Incident Reporting
 - b. Incident Investigations
 - c. Root Cause Analysis
 - d. Corrective Action
 - e. Lessons Learned
 8. Review all auto and fleet policies and procedures on an annual basis.

Effective implementation of the Fleet Safety Program is best achieved by first distributing a copy of the program to affected employees, then conducting in-person training that allows management the opportunity to explain the program, and also allows employees the opportunity to ask questions about the program.

Remedial or follow up training is also recommended for employees that show signs that they either don't understand the program, or demonstrate poor driving habits.

Final Comments

The only way to lower your insurance costs is to lower the frequency and severity of the claims that drive those costs. Fortunately, auto exposures lend themselves to being managed, but the required safe driver training, technology, and post-accident response procedures need to be thoughtful and disciplined. ■



2018 Risk Management Seminar Series



Sexual Harassment Prevention Training

Wednesday, June 6th

7:30am Registration

8:00am - 10:00am Program

Managing Difficult Employees

Wednesday, July 11th

7:30am Registration

8:00am - 10:00am Program

Personality Conflicts in the Workplace

Wednesday, Aug. 1

7:30am Registration

8:00am - 10:00am Program

Reserve Early, Seating is Limited!

To register, click on the 'register now' button in the announcement email, or contact Nicole Laforteza at nlaforteza@cavignac.com or call 619-234-6848.

Health and wellness tips for your work and life—
presented by Cavnac & Associates



Over 200 Rare Antibiotic-resistant Genes Found in 27 States, Report Shows

A Vital Signs [report](#) released by the Centers for Disease Control and Prevention (CDC) revealed that more than 200 rare antibiotic-resistant genes were found in bacteria tested in 2017.

According to CDC principal deputy director, Dr. Anne Schuchat, 2 million Americans get sick from antibiotic resistance, and 23,000 die from such infections each year.

The CDC is now promoting an aggressive containment strategy that includes rapid detection tests and screening for reducing the spread of antibiotic resistance. They also ask that you take simple preventive measures like washing your hands and getting vaccinated. For more information, click [here](#).

Strawberries Named Dirtiest Produce for 3rd Year in a Row by EWG

Every year, the Environmental Working Group (EWG) releases a Shopper's Guide to Pesticides in Produce report that details which fruits and veggies are the least—and most—contaminated by pesticides. The guide is designed to help you make healthy and informed choices and reduce your exposure to toxic pesticides.

For the third year in a row, strawberries top the “Dirty Dozen” [list](#) of the most pesticide-tainted produce, with one-third of all conventional strawberry samples containing 10 or more pesticides. One sample even contained 22 pesticide residues.

The other fruits and vegetables on the Dirty Dozen list are:

- Spinach
- Apples
- Peaches
- Pears
- Celery
- Sweet bell peppers
- Nectarines
- Grapes
- Cherries
- Tomatoes
- Potatoes

While pesticides boost crop yields, multiple studies have linked pesticides in produce to conditions like asthma, cancer, fertility issues and brain conditions. The Connecticut Agricultural Experiment Station recommends rinsing produce under water for 30 seconds to get rid of pesticide residues. For more information, visit EWG's [website](#).

Fried Rice

2 Tbsp. vegetable oil
3 cups brown rice (cooked)
1 carrot (cut into ¼-inch slices)
½ cup bell pepper (chopped)
½ cup onion (chopped)
½ cup broccoli (chopped)
2 Tbsp. low-sodium soy sauce
½ tsp. black pepper
1 tsp. garlic powder
2 medium eggs (beaten)
¾ cup chicken (cooked, chopped)

PREPARATIONS

1. Heat oil in a large skillet over medium heat.
2. Add rice and stir for 5 minutes.
3. Stir in carrot, bell pepper, onion, broccoli, soy sauce, black pepper and garlic powder. Cook until vegetables are tender.
4. Remove mixture from pan.
5. Pour eggs into pan and scramble.
6. Put vegetable mix and rice back in the pan and mix with scrambled eggs.
7. Add chicken and cook until hot. Serve warm.

Makes: 6 servings

Nutritional Information (per serving)

Total Calories	203
Total Fat	7
Protein	9 g
Carbohydrates	26 g
Dietary Fiber	3 g
Saturated Fat	1 g
Sodium	269 mg
Total Sugars	2 g

Source: USDA

Intermittent Fasting: What it is and Why People Are Doing it

Intermittent fasting is one of the latest health trends that has been gaining traction quickly. Intermittent fasting can look very different from person to person, but the two most popular approaches are:

1. **5:2 approach:** In this approach, you restrict your calorie consumption to 25 percent of your daily needs twice a week, and eat normally the remaining five days of the week.
2. **Eight-hour approach:** In this approach, you fast for 16 hours a day, eating only during an eight-hour time period.

Studies have shown that intermittent fasting can have powerful benefits on your body and mind, and for weight control. Other studies state that it can also protect against Type 2 diabetes, heart disease and cancer.

As with any diet plan, it's important to talk with your doctor before you start. For more information on intermittent fasting, or its benefits and drawbacks, click [here](#).

3 Tips for Intermittent Fasting Success

If you and your doctor decide that intermittent fasting is right for you, keep these three tips in mind to help you succeed.



1. Stay hydrated.



2. Avoid temptations like junk food and sugary beverages.



3. Get plenty of sleep.



Cavignac & Community



Cavignac & Associates is proud to support local and non-profit civic organizations, including Say San Diego



OUR MISSION

SAY San Diego's mission is to partner with youth, adults, families, and communities to reach their full potential. Our vision is opportunity, equity and well-being for all San Diegans.

WHAT WE DO

SAY San Diego partnerships and services address the comprehensive needs of the entire individual or family rather than focusing on one symptom or problem. SAY engages the community to work collaboratively and works with systems such as law enforcement, schools, and local government to create positive change. SAY San Diego's holistic approach enriches youth, empowers individuals and families, and engages communities.

CORE SERVICES

- Alcohol, tobacco, and substance abuse prevention
- Before and after school programs, preschools, and school readiness
- Child abuse prevention and family support
- Collaborative partnerships for military families, refugee/immigrant families, students, parents, and more
- Family strengthening and self-sufficiency
- Foster care and kinship parenting support
- Juvenile delinquency prevention and diversion
- Mental health counseling, case management, adult services, and youth development Access to health care, employment, and self-sufficiency

For more information, go to www.aysandiego.org