

TRUCKING INSURANCE: YESTERDAY, TODAY, & TOMORROW

Presented by:

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CE START CODE

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Understanding Trucking Coverages

Introduction

- Transportation MGA underwriter for 5 years
- Previously was an exclusive hazmat/environmental program underwriter for 2 years
- Transportation Risk Specialist designation

Agenda for the Presentation

- YESTERDAY
 - History of Auto & Truck Insurance
 - Timeline of Coverage Forms
- TODAY
 - Trucking Insurance Coverages
 - Filings & MCS-90
 - Compiling a Quality Submission
- TOMORROW
 - Trucking Environment & Insurance
 - Driver Shortages
 - Jury Awards
 - Technology & The Future
- Q & A



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- **1886**- Karl Benz invents first TRUE Automobile.
- The world's **first car insurance policy was written in 1897 by Travelers**. The policy was written to a man named Gilbert Loomis, a resident of Dayton, Ohio.
- **1899** First pedestrian killed by an automobile, in New York City
- **In 1925, Massachusetts passed the first legislation requiring automobile insurance for drivers as a prerequisite to registering a vehicle.** For over 30 years, Massachusetts was the only state in America with a compulsory auto insurance law requiring insurance before registration.



History of the Auto Insurance Policy

Trucker Coverage Form

- First step for creating a form for those companies hauling for others for a fee
- Heavily Government Regulated Form
- Motor Carrier Act of 1980 pushed to deregulate trucking

What is a Motor Carrier?

- A person or entity that transports passengers or property for compensation (Via FMCSA). There are four types of motor carrier: Contract, Common, Specialized, and Exempt.
- Specialized Carrier – can either be a common or contract carrier that hauls good but requires special equipment. For example a carrier hauling oversized/overweight commodities.
- Exempt Carrier – these carriers are exempt from certain government regulations. These carriers traditionally are hauling unprocessed or unmanufactured products. For example, hauling cucumbers from the farm to the pickling plant.

Main Differences between Trucker & Motor Carrier Forms

- Who is an insured?
- Owner Operators
- Trailer Interchange
- Other Insurance Clause
 - Non-Trucking Liability

- **Covered Auto Designation Symbols**

- 61 – Any Auto
- 62 – Owned “Autos” Only – Includes those autos you acquire ownership after the policy begins
- 63 – Owned Private Passenger Type “Autos” Only
- 64 – Owned Commercial “Autos” Only
- 65 – Owned “Autos” Subject to No-fault – Only Trucks, Trailers, and Tractors; No PPTs
- 66 – Owned “Autos” Subject to a Compulsory Uninsured Motorists Law
- **67 – Specifically Described “Autos”**
- **68 – Hired “Autos” Only**
- **69 – “Trailers” in Your Possession Under A Written Trailer or Equipment Interchange Agreement**
- 70 – Your “Trailers” In The Possession Under A Written Trailer or Equipment Interchange Agreement
- **71 – Non-Owned “Autos” Only**
- 79 – “Mobile Equipment” Subject To Compulsory Or Financial Responsibility Or Other Motor Carrier Vehicle Insurance Law Only

Symbol 68 Hired “Autos” Only: Intended vs Non-intended Use

- Not attended for brokerage exposure
- Sub-hauling
- Underwriting Thoughts
- Current rating of hired auto

Symbol 71: Non-owned Auto

- Used primarily for running business related errands
- Salesperson auto concerns
 - How often is it being used?
 - Non-employee passengers
 - Potential for entertaining customers

Symbol 69 “Trailers in Your Possession Under a Written Trailer or Equipment Interchange Agreement

- Agreement between owner of trailer and our motor carrier
- Intermodal Agreement requirement

Common Trucking Coverages

- Auto Liability
- Auto Physical Damage
- Motor Truck Cargo
- Excess Liability
- Non-Trucking Liability/Unladen

Auto Liability (AL) Coverage

- Three main auto liability types:
 - Bodily Injury
 - Property Damage
 - Environmental Restoration/Pollution Clean-up

Auto Liability (AL) Notable Items

- 3rd Party Coverage
- Loading & Unloading of cargo by hand or non-mechanical device

Auto Physical Damage

- Collision Coverage
- Comprehensive Coverage
- Specified Perils

Auto Physical Damage (APD) Notable Items

- 1st Party Coverage
- Owner Operator or Company Owned Unit
- Deductible Structure Questions:
 - Per Vehicle/Piece of Equipment or Per Occurrence
 - Combined Deductible
- Actual Cash Value vs Stated Value
- Less expensive to repair or total out the vehicle?

Motor Truck Cargo (MTC)

- Can be 1st Party (Private) or 3rd Party coverage (For Hire)
- Generally, requires a deductible
- Bill of Lading

General Liability

- Majority of Trucking Carriers only looking to write Truckers GL 99793
- Loading and Unloading with Mechanical Assistance (Forklifts)
- Stop Gap required in OH due to being a monopolistic WC state

Excess Liability

- Can sit over auto liability, general liability, and employer's liability
- Have seen substantial increases over the past 5 years (now a working layer)
- Many times, must be written in layers/multiple policies to reach higher limits

Non-trucking Liability or Unladen

- Non-trucking liability = Coverage for Owner Operators when not hauling under dispatch
- Unladen liability = Coverage for Owner Operators when not laden or not transporting a load

Types of Filings

- BMC-91X
- Form E/OH PUCO
- OS-32 – Because we are in OH

MCS-90: IMPORTANT TO GET THE INFO RIGHT

- Endorsement to the policy, not a filing
- Federally required to be attached to policies of for hire motor carriers operating in Interstate commerce
- Responsibility for the insurance carrier of the insurance motor carrier to make payments to damage to the public whether property damage, bodily injury or environmental restoration

Compiling a great trucking submission!

- Submission Materials
 - Narrative
 - Application
 - Loss Runs
 - Driver List
 - Vehicle List
 - IFTAs
 - MVRs
 - Financials

What makes a great narrative?

- What's the opportunity?
 - Expectations from the incumbent carrier
 - Target premium
 - Need by date
 - Markets of interest and why they should take a shot?
- Touch on any potential concerns and how they have been addressed
 - Large loss or open claim narratives
 - Plans of improvement for FMCSA/SAFER/CAB
 - Plans of improvement for loss frequency
 - Driver decisions (Kept driver A with 3 moving violations because..., Hired driver with 1 year of experience because..., Kept driver involved in fatality because...)

Relevant Application

- Trucking Application instead of ACORDs
- Coverage Specific (looking for cargo only, a cargo app is most relevant)

Loss Runs

- Need to be currently valued, may vary based off market requirements
- Need loss runs for all lines requested
- If driver or claims information not listed, please advise

Driver List

- Driver Name
- Dates of Birth
- License #/State
- Years of Experience driving similar equipment
- Dates of Hire
- Company employee or Owner Operator



Vehicle List

- Year
- Make
- Model
- VIN #
- Stated Value
- Owner Operator or Company Unit
- If Garaged at a different location, please advise



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International Fuel Tax Agreement Reports (IFTAs)

- Markets typically want the 4 most recent Quarterly Reports (1st, 2nd, 3rd, 4th)
- Documents are used to verify what states the motor carrier is traveling into
- Are also used to determine vehicle utilization i.e. confirming the miles per unit on an annual basis

Motor Vehicle Records (MVRs)

- Most markets look at the past 3 years for minor violations/accidents and 5 years for major violations
- Need to be currently valued

TOMORROW

Current Trucking Landscape & The Future

- Driver Shortages
- Jury Awards
- Technology & The Future



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Driver Shortage

- Numbers from the experts
 - ATA estimates that the industry needs roughly 80,000 more truck drivers as of today
 - ATA estimates that the number of truck drivers needed could surpass 160,000 by 2030
- What are a few reasons why?
 - Retiring Driver Pool, the average driver is 49 years old
 - COVID-19 Pandemic led to roughly 6% of the drivers leaving the industry
 - High Driver Turnover, the industry is seeing over 90% year over year
 - Cannot obtain an interstate CDL until 21 years old, can start other trades out of high school

Driver Shortage leading to...

- Broadening of trucking company driver standards
 - Hiring inexperienced drivers with under 2 years of like driving experience
 - Hiring drivers with poor driving records
 - Hiring drivers from across the country rather than from in-state or adjacent states

Possible Solutions for Driver Shortage

- Significantly raising driver pay and earnings
- Increased efforts to target females (currently women make up ~10% of truck drivers)
- Reducing the minimum interstate driving age from 21 to 18
 - Safe Driver Apprenticeship Pilot Program
 - Will require companies to apply to be eligible

Jury Awards

- Current issues with Trucking Jury Awards
 - Nuclear Verdicts
 - \$1 Billion dollar Trucking Verdict in FL
 - Lottery Effect/Desensitization
 - Leakage
 - Third-Party Litigation Funding
 - Not just paying for the upfront fees, but also will hire strategists or strategy teams and will even sometimes hold mock trials
 - Medical Collusion
 - Social Inflation
- Negative Effects
 - Commercial Auto Insurance Space not turning an underwriting profit since 2010 → Higher Auto Liability Costs
 - Increased advertising by injury lawyers → More negative press for trucking companies → average juror having negative thoughts and feelings towards the trucking industry
 - Cancel culture
 - Millennial/Gen X though process
 - The increased costs for auto liability premiums have led to less trucking companies being able to afford excess liability insurance
 - Several standard markets exiting the trucking space
- Positive Effects
 - Motor Carriers increasingly adding cameras to their vehicles
 - Insurance companies offering cameras to clients at no charge or offering discounts for adding cameras

The Future

- Autonomous Vehicles
- Insurance Carriers using data/analytics to generate rates
- Alternative Fuel Trucks



Bloomberg.com

Autonomous Vehicles

- Currently 6 levels of autonomous vehicles (Levels 0-5) www.Perforce.com
 - Level 0 – “no driving automation”
 - Level 1 – “Driver Assistance” example adaptive cruise control or lane control assist
 - Level 2 – “partial automation” vehicle can automatically brake, accelerate, and take over steering; driver needs to remain in control and must pay attention
 - Level 3 – “conditional automation” - vehicle can drive itself without hands on the wheel, but only in certain conditions. Needs a driver in the vehicle to take control if needed.
 - Level 4 – “high automation” – vehicle can handle the majority of the driving situations with zero input from the driver but can be manually overridden if needed.
 - Level 5 – “full automation” – No need for a driver to be in the vehicle, the vehicle can handle 100% of the responsibilities

Big Data/Data Analytics

- Current insurance carriers using mileage and safety tracking devices to generate insurance premiums
 - Progressive and other personal auto insurers
 - Canal Insurance – TEST Drive Program for new ventures
- Cameras in vehicles
 - Some insurance carriers are offering credits for motor carriers to install cameras in their trucks, but they want access to the data
 - Other insurance carriers make it a requirement of binding the policy

Alternative Fuel Trucks

- Natural Gas (data from Freightliner.com)
 - Much cheaper than diesel (currently about \$1.50-\$2.00 per gallon cheaper)
 - Two main varieties:
 - Compressed Natural Gas (CNG)
 - Much heavier gas and requires more space, but is cheaper and more readily available than LNG
 - Liquefied Natural Gas (LNG)
 - More expensive than CNG, but it is a lighter gas and you can fit a lot more LNG in a smaller space
 - 20% lower greenhouse emission and 10 decibels quieter than diesel engines
 - Currently more than 175,000 NGVs on US roads today with 23 million worldwide
 - Per NGVamerica.org, there are currently 1,200 CNG stations in the US compared to 120,000 retail gas stations

Alternative Fuel Trucks

- Electric Trucks
 - Newly Inked Infrastructure Investment and Jobs Act to invest \$7.5 billion to build a network of 500,000 EV chargers
 - Per Tim Denoyer of ACT research, there is an estimated 4,000 to 5,000 electric trucks utilized in North American while there are far fewer hydrogen trucks (low hundreds)
 - Electric Truck usage for class 3, 4, 5 vans, class 6 box trucks, and class 8 terminal tractors and regional haul tractors in Canada and US would use 168,582 gigawatt hours annually, but 100 million metric tons of carbon would be avoided
 - Test of electric trucks is further along than Hydrogen trucks. XPO Logisitcs is testing several Class 8 trucks made by Daimler in CA currently

Alternative Fuel Trucks

- Goal is to get away from diesel for a more cost-effective fuel that is better for the environment
- Hydrogen Trucks (data from usatoday.com)
 - Examples of companies utilizing these trucks: Nikola, Hyundai, Toyota
 - “Hydrogen Highway” spoke of by George Bush and Arnold Schwarzeneggar
 - Will convert hydrogen and ambient oxygen into electricity, and will emit only water vapor
 - Toyota already has sold 1,500 PPT units (mostly in CA), and is hoping to introduce a Hino truck in 1st half 2022, and is also collaborating with Kenworth to develop tractor trailers
 - Hyundai is investing \$1.3 Billion into hydrogen infrastructure, hopes to roll out 2,000 units in 2021; currently have delivered the first trucks to customers in Switzerland
 - Volvo/Mercedes-Benz have developed a hydrogen fuel concept truck that is said to allow for 621 miles on a single tank. Hope to begin customer trials by 2023.
 - Nikola/General Motors hope to deliver trucks within the next two years and eliminate the need to produce new diesel trucks by 2027.

QUESTIONS?



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Understanding Trucking Coverages