

# TRUCKING INSURANCE: YESTERDAY, TODAY, & TOMORROW

Presented by:

Evan Taylor TRS, AINS  
Vice President, Transportation  
Amwins Transportation  
Underwriters

[Evan.taylor@amwins.com](mailto:Evan.taylor@amwins.com)

317-806-8315



# CE START CODE

# 824



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

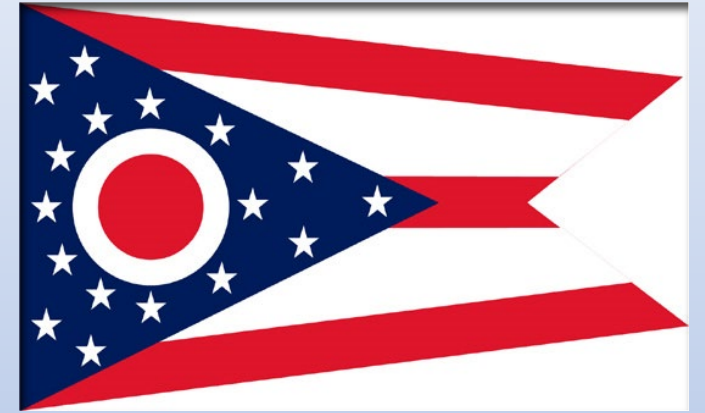
# Agenda for the Presentation

- 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 your 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, Trailer, 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

- 3<sup>rd</sup> 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

- 1<sup>st</sup> 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 1<sup>st</sup> Party (Private) or 3<sup>rd</sup> 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 (1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>)
- 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



# Autonomous Vehicles

- Currently 6 levels of autonomous vehicles (Levels 0-5) [www.Perforce.com](http://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 experience than CNG, but its 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 Logistics 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 Schwarzenegger
  - 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 1<sup>st</sup> 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?



# CE END CODE

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