

EXPERTISE KEY TO TRUCKING AND SPECIALTY TRUCKING SUCCESS

Despite challenges, new safety equipment helps the industry rebound



By Dave Willis, CPIA

After a few challenging years, the trucking business is enjoying a rebound. "The trucking industry is healthy and strong," says Gary Weindorf, president and CEO of Interstate Motor Carriers/Capacity Agency, LLC. "Most of our clients are reporting an influx of freight, increased revenues and higher net income."

He says the majority are adding equipment and/or refurbishing fleets with newer tractors and trailers. "The reduction in fuel cost has helped the trucking industry enormously," he adds.

According to Jimmy Proffitt, CPCU, area president for Risk Placement Services, Inc., "Containers coming into ports are robust. The construction industry is back, so flatbed operators are moving a lot of freight now. From what we see, the well-managed fleets are growing and getting stronger. Demand is up and, from what I'm being told, the better motor carriers are able to raise their rates."

Specialized trucking concerns—those hauling freight that may have atypical shapes, weights, or sizes and may require specialized equipment such as flatbeds, tankers, car carriers, or refrigerated trailers—also are doing well.

"The economics for specialized trucking have been especially strong compared to recent years," explains Teri Greenwood, chief underwriting officer at Northland Transportation. "This has resulted from increased demand to haul supplies for housing starts, building, the expansion in the domestic energy sector, and demand for new cars." She points out that rates and loads for specialized equipment, such as flatbeds and car carriers, have increased with demand to support growing segments of the economy.

The specialized trucking business is not without challenges, though. "The cost of new equipment continues to rise, especially for specialized trailers," Greenwood observes. "This requires trucking firms to have a financially sound replacement program in place."

Challenges also exist in the broader trucking arena. "The shortage of qualified drivers, increasing government regulations and fuel price fluctuations are issues for motor carriers across the country," explains Weindorf. "So is the ongoing debate with regard to independent contractor versus employee status for owner-operator fleets."

Still, says Proffitt, "Prospects for the future of the trucking business are much better today than they were three or four years ago."

Some of the issues motor carriers face have insurance and risk management implications. "The number one challenge—hiring and retaining qualified drivers—brings with it safety issues," Proffitt notes. One factor that makes hiring tougher is the Compliance, Safety, Accountability (CSA) program introduced by the Federal Motor Carrier Safety Administration.

"That put higher compliance requirements on trucking companies and drivers," he says. "Drivers who didn't meet standards were no longer eligible to drive, and that eliminated a large pool of drivers." He points out that trucking can be dangerous and difficult, and many potential drivers are opting for blue-collar jobs that allow them to stay home and not be on the road every night.

Firms that are successful in adding drivers need to ensure safe operations. "Risk managers and safety directors in the motor carrier industry have the task of making certain a thorough driver training program is in place," says Weindorf. "They also need to continually upgrade safety and loss control mechanisms."

A seeming explosion in the number and kinds of equipment safety enhancements—while positive for the industry—brings with it separate

challenges. "Trucking companies need to constantly assess what's available, determine possible benefits, and then ultimately purchase and install whatever they decide on," he notes.

"Some of the more popular safety enhancements being touted by the trucking and insurance industry alike are electric onboard recorders and drive cams," Weindorf explains. "Electric onboard recorders, at a minimum, record engine use, road speed, miles driven, and the date and time of day." He points out that, while use of these recorders isn't yet mandated, fleets that have adopted them have seen benefits in both safety and fuel economy.

"Drive cams have also become very popular," he adds. "They are tiny video cameras installed behind a tractor's rearview mirror that continuously record the view forward, out in front of the vehicle, and inside, back toward the driver. They can document accidents, driver habits and more. Underwriters view them as invaluable in driver training, eliminating accidents and, if an incident occurs, defending a claim."

Safety devices can increase motor carrier costs. "However," he adds, "they can pay significant dividends in terms of reducing accident frequency, severity and ultimate liability, and that

"The most important thing a retail independent agent can do to succeed in the trucking insurance arena is to truly specialize in the motor carrier industry."

—Gary Weindorf
President and CEO
Interstate Motor Carriers/Capacity Agency, LLC

can translate into lower insurance premiums.”

A common issue for all motor carriers is the CSA's Safety Measurement System (SMS), which ranks trucking companies on a numerical curve in seven basic categories. “Risk managers are constantly striving to improve scores,” Weindorf notes. “Shipping customers, as well as insurance underwriters, are giving increased credibility to this data.”

In fact, he says, many insurance companies that specialize in trucking use the scores as criteria for the acceptability of a risk. “These scores also often affect the eventual pricing quoted by an underwriter,” he adds, “regardless of the actual loss experience reflected within the previous three- to five-year period.”

Weindorf says he supports the goal of SMS as an effective and efficient way to prevent commercial motor vehicle crashes, injuries and fatalities. “However, in order to achieve this goal, the system must be accurate,” he says. “We’ve found that SMS continues to suffer from fundamental issues that seriously affect score reliability. Shippers and insurance carriers alike are relying much too heavily on this data, which has been proved in a number of studies to have very little correlation to accidents.”

Reducing accidents and resulting claims is key to maintaining a strong trucking insurance marketplace. “Over the last four or five years, loss results for carriers that specialize in trucking and transportation have not been acceptable,” Proffitt observes. “There’s a graveyard of insurance carriers that have simply withdrawn from writing the business.”

Specialty carriers that remain are underwriting more tightly. “And they’re



monitoring more closely than ever,” he adds. “There’s so much more information available today to underwrite business. They’re using publicly available information, and they’re analyzing their own data to identify and predict which risks will perform better over time.” As carriers compete for what Proffitt calls “preferred business,” trucking companies that miss the mark are finding it tougher to get coverage and, when they do, they’re paying more.

It’s especially tough to find coverage for new ventures. “Compliance requirements for owner-operators that want to get into business today are

so much more stringent than in prior years,” Proffitt notes. “Plus, the loss results for new ventures have not been particularly good, so carriers have really tightened up writing them. An owner-operator has to be very, very well managed to make it.”

Specialty trucking operations face a lot of the same issues as do other kinds of motor carriers. But there are some important differences. “For example, while the driver shortage impacts the broader trucking industry, the impact is more acute for specialized trucking,” explains Greenwood. “Specialized trucking companies have to either hire drivers experienced with the company’s types of equipment or invest in specialized training.”

She points out that a lack of experience in the driving, handling, securing, and loading and unloading of special freight leads to higher costs from theft, accidents, driver errors, inefficiencies, and poor customer service. “This is true for everything from tankers or flatbeds to temperature-controlled or step-deck equipment,” Greenwood notes. “Protecting their customers’ cargo may require special handling, such as securement procedures, special routing, temperature control, or protection from the elements.”

As with the broader trucking industry, specialized carriers need to manage their contractual risk transfer, she adds. “Carriers can do this by ensuring they have favorable hold-harmless agreements in place,” she explains. “They also should have clear indemnification and insurance provisions in their owner-operator lease agreements, brokerage agreements, and shipper agreements.”

Greenwood adds, “Depending on the type of cargo hauled, specialty trucking

The don't-miss event of 2015.

Create a brand new beat with IMCA in Nashville, Tennessee.

Join us June 21st - 24th in downtown Nashville, and Create a Brand New Beat at the IMCA 2015 Annual Conference. Network with peers, and hear from industry experts on emerging topics from customer engagement and digital marketing to the evolution of storytelling and much more.

RESERVE YOUR PLACE TODAY!

Visit www.imcanet.com/nashville2015 or email info@imcanet.com



operations may need trip endorsements for higher cargo or liability limits, state filings and permits made and obtained, and to manage the seasonality impact from their operations.”

She points out that insurance coverage for specialized truckers should address liability exposures such as rigging or setup, loading or unloading, use of brokerage, or damage to others’ equipment in the insured’s care, custody, and control. Greenwood also stresses the benefits of solid risk management for the segment. “Providing access to risk management solutions and prompt service to address the unique needs of the operation can help mitigate loss costs and downtime for the trucker,” she notes.

Agent opportunities

Experts say that retailer success in the trucking insurance business comes from building a strong focus on and knowledge of the business. “We’re seeing more and more trucking insurance written and controlled by retail brokers who specialize in transportation,” Proffitt says. “It’s either their sole focus as an agency or they have dedicated units that work with transportation all day, every day.” He says the business is demanding, on both the

underwriting side and the transaction side.

Weindorf concurs. “The most important thing a retail independent agent can do to succeed in the trucking insurance arena is to truly specialize in the motor carrier industry,” he asserts. Those who don’t will find it tough to keep up with regulatory changes, insurance market appetite, unique coverage issues, and the ongoing marketing efforts required to secure appropriate coverage and competitive pricing.

“In addition to the pure insurance marketing efforts and price negotiation, trucking insurance specialists must go much further by servicing clients throughout the year,” he adds. “This includes providing loss control services, efficient claims handling, claim reserve and audit reviews, and experience modification analysis to assure accuracy with regard to workers compensation premiums.”

Proffitt encourages retailers who want to write transportation to develop relationships with one or two partner firms. “Find a couple of professional, top-quality MGAs or program administrators that specialize in transportation,” he advises. “Then rely on them to do the job for you. Don’t try to spread your business among too

many, because many of us go to the same markets.”

Greenwood echoes some of these comments and offers added advice for retailers interested in the specialty trucking arena. “Agents need to be able to bring markets that can tailor coverage and risk management solutions for the unique business needs of the specialized hauler,” she notes. “Understanding the specialized trucking operation and the trucker’s own customer base is critical to success in writing and retaining accounts.”

She says that dedicating producers who can specialize in trucking leads can be a key factor in an agency’s success. “An agency that has a trucking practice known for its ability to provide expertise and advice for a specialized trucker’s needs can position itself as a leader in the field,” Greenwood says.

Retailers who are willing to invest in building expertise can reap rewards. “We expect the trucking industry and its health and profitability to grow as the economy strengthens, as firms find greater success attracting and retaining quality drivers by acknowledging their importance and increasing compensation and benefits, and as the industry maintains its focus on enhanced safety,” Weindorf concludes. ■



Northland Insurance
– working with you
and for you.

Our customers know their Northland team is working to protect their business. Northland brings transportation expertise from dedicated underwriting to knowledgeable and experienced risk control and claim specialists – all working with you to reduce loss, increase safety and minimize claims.

That’s the Northland Advantage.

To learn more, call your agent or broker, or visit us online at northlandins.com.



© 2015 The Travelers Indemnity Company. All rights reserved. M-16993-4 Rev. 8-14

Reader Service Card No. 394