Transport Topics

SPECIAL REPORT:
Trucking and Insurance

The Powerful New Ways Fleets Are Managing Risk

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'Safety First' Is Crucial For Trucking, Insurance

Insurance costs for many motor carriers have crept higher in recent years, particularly for commercial auto liability insurance. The trucking and insurance industry experts I've spoken with over the past few years cite several factors for the rise, including the litigious environment the trucking industry is battling that is being fueled by certain trial lawyers.

Fran Matso Lysiak
Features Editor

That trend, combined with the focus on trucking safety technologies, as well as regulatory changes on the horizon (see story on p. A6) that some say could help insurers identify unsafe motor carriers, makes it an ideal time for Transport Topics to publish its first Trucking and Insurance Special Report.

The featured story of this inaugural report, which starts on p. A4, examines how the insurance industry is now taking a much closer look at motor carriers' use of safety technologies — such as collision mitigation and avoidance systems, onboard cameras and telematics, which can help motor carriers reduce or possibly eliminate, costly losses. For example, cameras can help motor carriers monitor their drivers, including any potentially unsafe behavior.

And under the current circumstances, if there's one mantra that the insurance industry and the trucking industry can agree on, it is this: safety first. That's because although insurance companies are there for their policyholders, they certainly don't want to have to pay out big-ticket claims. And motor carriers, on the other hand, certainly don't want to have to file a claim to begin with.

One company executive summed up her take on trucking safety technologies and insurance: "Do I get a break on my insurance premium for these voluntary purchases? No," said Sherri Garner Brumbaugh, CEO of Garner Trucking, referring to lane departure systems, crash avoidance, cameras and driver-assist systems. "Will they help a driver stay safe operating his/her truck? That is the objective, safety. But it takes time to cycle these trucks with these new safety technologies into operation."

Read this story to find out how these technologies are factoring into insurers' underwriting processes and what the future holds.

And in an ever-connected world, fleets are facing new and emerging threats, such as cyberattacks. Read the story on p. A12 to understand that securing the right insurance coverage for this increasing risk is essential.

I hope you enjoy this TT special report, and perhaps learn more about how to be proactive in addressing and tackling some of your key risks.

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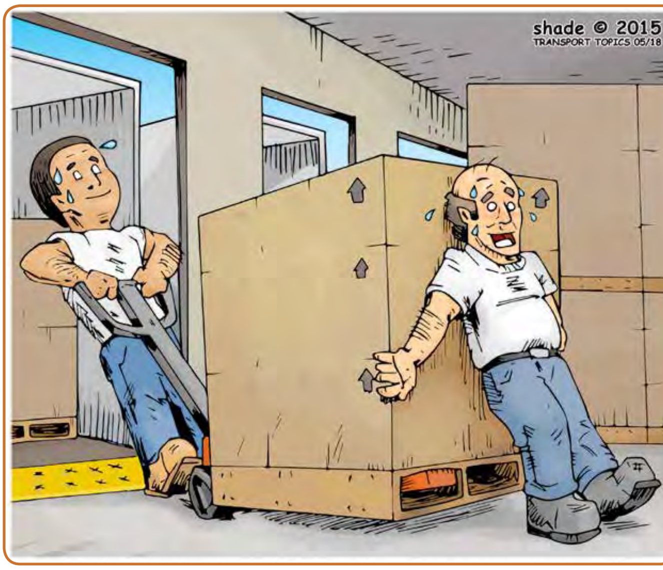

See story on driver injuries and workers' compensation on p. A14.

Insurers Eye Safety

Collision Mitigation Systems, Telematics and Cameras Can Help Fleets Reduce or Possibly Eliminate Costly Losses, Experts Say

Courtenay Knerem for Bendix via Vimeo

The Wingman Fusion collision mitigation technology integrates radar, camera and the vehicle's brakes.

By Fran Matso Lysiak
Features Editor

As the trucking industry grapples with a litigious environment and many motor carriers struggle to manage ever-rising insurance premiums, safety technologies have captured the attention of the insurance industry. Collision mitigation systems, telematics and onboard cameras can help fleets reduce or possibly eliminate costly and catastrophic losses, industry representatives said.

Rates and premiums for commercial auto liability insurance policies continue to rise, as they have been for the past several years, said Todd Reiser, vice president of the transportation practice at insurance broker Lockton Cos. Pricing is based on individual company loss experience as well as general industry trends and actuarial analysis, he noted. "Rate increases have ranged from single digits to, in some cases, double or worse depending on these factors."

And the excess liability insurance market, Reiser said, "is in worse shape than the primary layer market, and is experiencing substantial rate increases combined with significant reductions in available capacity."

"In the past six months, many excess insurers have exited the space altogether," he said.

A fleet executive offered her take.

"Prices are driving up," said Sherri Garner Brumbaugh, CEO of Findlay, Ohio-based Garner Trucking Inc. "If there aren't choices or multiple insurers in the space of commercial auto liability, there are fewer to choose from and those left in the space take on the burden of risk and their costs go up, so that cost is going to affect premiums," she said.

Meanwhile, an insurance company executive said trucking-related litigation has worsened, especially over the past three years.

"Nuclear verdicts, defined as jury awards in excess of $10 million, are becoming more prevalent, especially in the trucking world where higher liability limits are often purchased," said Randy Ramczyk, director of underwriting for transportation at Sentry Insurance. "Plaintiff attorneys are now engaging in litigation financing where an unrelated third party provides financing to the plaintiff in litigation in return for a portion of

Technologies

any financial recovery from the lawsuit."

Garner Brumbaugh, who is second vice chairman of American Trucking Associations, agreed, noting trucking companies are going out of business "because of very aggressive trial lawyers."

James Burg, president of Warren, Mich.-based James Burg Trucking Co. and chairman of the insurance task force for ATA, said a key focus is on nuclear verdicts and "suspicious activities" by certain attorney groups and medical providers in the same area.

Reiser said the maximum amount of coverage that a primary liability policy covers before excess coverage kicks in is $5 million, and it varies downward. Some fleets, including many smaller ones, are buying a primary policy with minimum limits, either $750,000 or $1 million. Large fleets generally are buying a primary policy that offers higher limits, usually up to $5 million, he said.

Garner Brumbaugh, though, said she hasn't been in the "open" insurance market since 2001 because she essentially has been her own insurance company through a captive since then. In a captive, members surround themselves with peers who believe that "safety and a culture of safety is important," Garner Brumbaugh said of this type of alternative risk program.

"Captives are and should be selective on the carriers they accept into any given group," she said.

When it comes to safety, technologies such as collision mitigation and avoidance systems, as well as onboard cameras and telematics, now are squarely in the sights of the insurance industry.

Both primary liability underwriters and excess liability underwriters understand that safety technologies will have a major effect to help reduce catastrophic losses, noting underwriters are "under a ton of pressure" to be profitable, Reiser said.

"It is difficult to measure the exact impact of accidents that have either not happened at all or have been substantially mitigated by these technologies, especially for fleets that are largely self-insured," Reiser said. He added that many large motor carriers now can point to their own safety data that show "a significant drop" in rear-end collisions for trucks equipped with collision mitigation systems.

Regardless of size, the key issues are reducing costs and returning drivers home to their families, said Craig Dancer, transportation industry practice leader at insurance broker Marsh USA Inc. That comes with having a safer operation.

"If you don't have claims, your insurance costs come down and you avoid driver injuries," Dancer said.

'Only the most financially stable carriers will see value in continuing to buy high levels of excess insurance.'

Todd Reiser
Lockton Cos.

Peggy Killeen, director at Napa River Insurance Services, the third-party administrator for Hudson Insurance Group, said that pertaining to training, driver-facing cameras "have proven to be a very reliable tool for pre-emptively correcting less than safe behaviors and helping to avoid accidents."

Cameras can help to monitor and improve driver behavior, Reiser said.

"When drivers know a camera is in the cab, they know whatever they do could potentially be reviewed," he said, noting they also can potentially exonerate a fleet from liability.

Cameras can help to determine who may be at fault in a collision "and, in today's litigious society, that can prove to be a game changer," Sentry's Ramczyk said.

Bill Zenk, principal and practice leader at insurance broker TrueNorth Cos., said the various safety technologies are creating an opportunity for motor carriers to collect data from in the cab "to coach better driver behavior as well as point-of-contact data to mitigate the cost of an accident."

"We have seen a high correlation between implementing safety technology and reducing the number and severity of accidents," Napa River's Killeen said. "Specifically, vehicles equipped with crash avoidance systems have shown to be a valuable resource as it relates to lane change and merging accidents."

Some insurers have established a prerequisite, Marsh's Dancer said. This means they will consider a risk only if that risk uses a particular technology, such as collision avoidance, telematics devices or camera systems, he said, noting this has been more risk-specific than "a carte blanche approach."

Electronic logging devices have been federally mandated since December 2017, Dancer added. If a carrier is not running ELDs in its trucks, aside from the allowed exceptions, "it's doubtful that an insurer would agree to write that risk knowing a motor carrier was intentionally violating the mandate."

Garner Brumbaugh said she believes ELDs will make the industry safer "especially when the industry is fully implemented in December 2019."

"The challenges will be the learning curve, which takes time after full implementation. Many, like Garner, have made the full conversion to ELDs in advance of the implementation mandate," she said, noting that Garner Trucking was an early adopter of electronic logs in 2010.

Meanwhile, Sentry's Ramczyk said that besides in-cab camera systems, advanced collision mitigation systems, which are becoming standard on many new trucks, are effective.

"Rear-end collisions along with lane-change accidents are the most frequent and severe causes of loss in the trucking industry," he said. "This technology can help to eliminate, reduce or alleviate these types of losses that can result in significant bodily injury or death."

Ramczyk said he hasn't seen any studies to verify this, "but common sense would dictate that technology can and will help minimize the number of commercial trucking accidents."

Rather than providing discounts for using a specific technology, Marsh's Dancer said, some insurers are subsidizing or paying for the hardware to install in the vehicles, citing camera systems as an example. "The insurer is betting that their investment in safety technology will be paid back over time based on their insured's improved loss experience."

Garner Trucking's latest equipment purchases

Continued on next page

Like Motor Carriers, Truck Insurers Await Changes to CSA Program

By Fran Matso Lysiak
Features Editor

With potentially big changes coming to the federal Compliance, Safety, Accountability program, insurance companies are hoping for a better way to identify unsafe motor carriers in an environment where insurers may be paying out much higher claims under the current system while some motor carriers are battling skyrocketing premiums.

"CSA is definitely having an impact on premiums and on insurance companies deciding whether even to quote truckers," said Duke Tomei, executive vice president and transportation practice leader at USI Insurance Services, an insurance broker, noting there's a

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Federal Motor Carrier Safety Administration

Officers perform a roadside inspection. There is more data than ever on motor carriers' operations, industry experts say.

Continued from previous page

have safety technologies, including lane departure systems, crash avoidance, cameras and driver assist, Garner Brumbaugh said. "Do I get a break on my insurance premium for these voluntary purchases? No. Will they help a driver stay safe operating his/her truck? That is the objective, safety. But it takes time to cycle these trucks with these new safety technologies into operation."

Premiums have increased industrywide over the past couple of years "and will continue to do so until loss costs stabilize," Ramczyk said, noting that distracted driving, congested and deteriorating highways, rising medical costs and inexperienced drivers also are factors driving up insurance costs.

Insurance underwriters, meanwhile, want to understand the type of telematics a fleet is using, such as the record of critical events, Dancer said. "Even though you don't have accidents, if you have a lot of critical events, those are indications of unsafe driving."

A critical event record generally is integrated with a telematics device that can measure speed, hard braking and lane departures, among other factors, Dancer said.

"The key to implementing any technology is the follow-on coaching with a driver when critical events occur," Dancer said. "Between ELDs, vehicle telematics and camera systems, motor carriers have tremendous amounts of data to identify at-risk behaviors allowing the motor carrier to act before an accident."

Aside from the technology, the insurance industry representatives offered some tips for motor carriers to try to manage their insurance costs in the current challenging environment.

Fleets are changing how they finance their risk via alternative structures such as captives and aggregated insurance programs, as well as looking at taking on more risk, Reiser said.

"As costs continue to increase, only the most financially stable carriers will see value in continuing to buy high levels of excess insurance, as they have substantial assets to protect," Reiser said.

Killeen, of Napa River Insurance, said motor carriers can elect to partner in the risk with an insurer by implementing a self-insured retention.

"A true SIR offers the motor carrier the benefit of providing input over claim settlement practices," Killeen said, noting this is different from a deductible.

"They can either manage these claims on their own, or utilize a third-party administrator that has the expertise in claim expenses and litigation management," she said, adding that these practices can lower costs and potentially reduce future premiums.

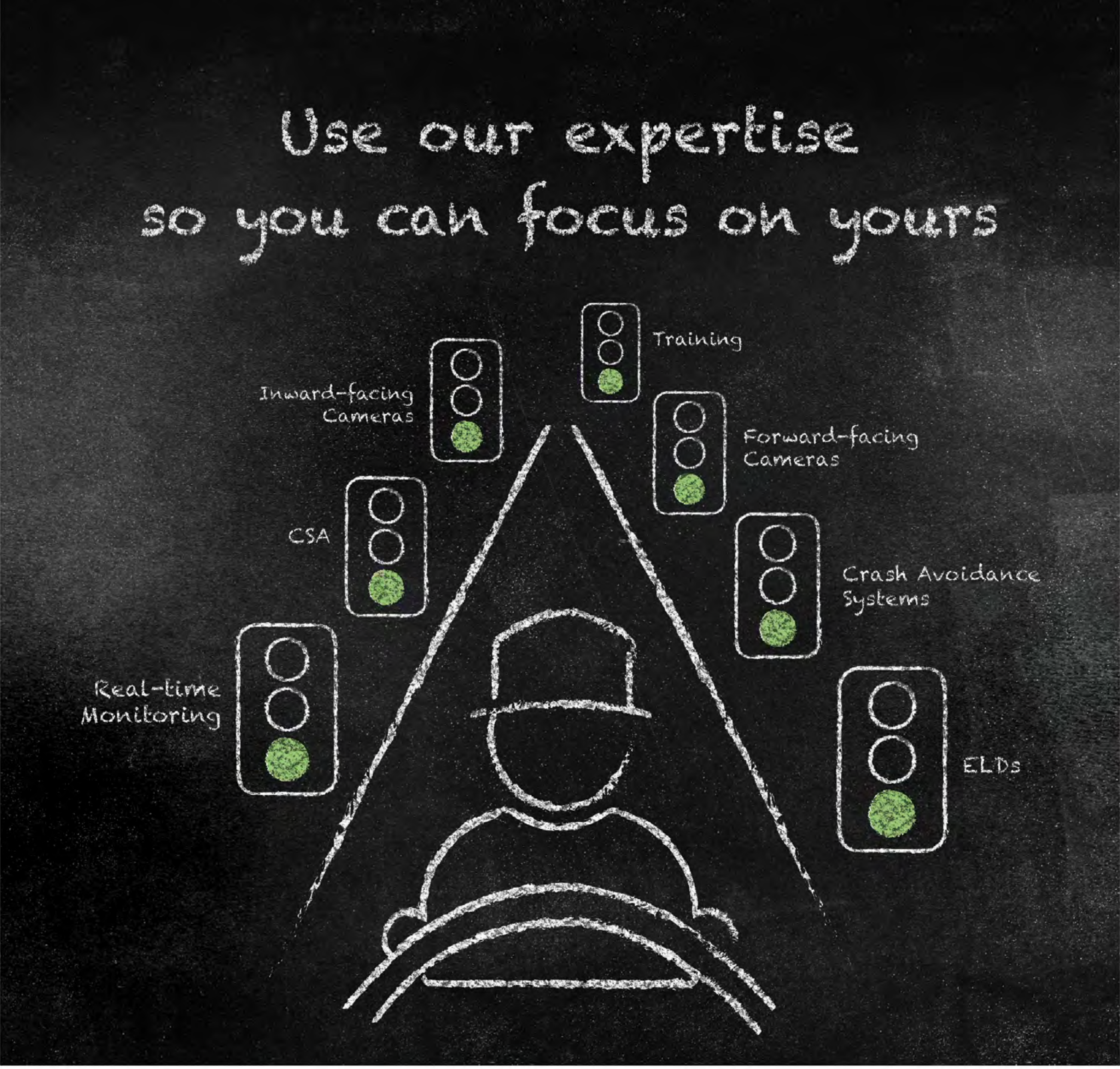
As for smaller motor carriers in particular, another trucking industry expert described a bleak predicament.

These carriers often lack the financial resources or a good loss history to access the alternative-risk market, such as captive insurance arrangements or higher deductible options, said Sam Tucker, CEO of Carrier Risk Solutions, which provides safety and compliance services to motor carriers. Smaller carriers generally can't pass those increased insurance costs on to their shippers, he said, noting that ultimately, many carriers go out of business as a result.

Looking ahead, TrueNorth's Zenk said that a few insurers are offering motor carriers discounts "for simply exposing" the ELD data to the insurer.

"I believe the insurers are still determining how to most effectively use the data to better underwrite a motor carrier and move to usage/performance-based pricing," Zenk said.

Nevertheless, with the continued increases in jury verdicts against trucking companies, increased medical costs, increased costs to repair damaged cars and trucks, among other factors, "We're really looking at the perfect storm for these trends to continue for the foreseeable future," Tucker said.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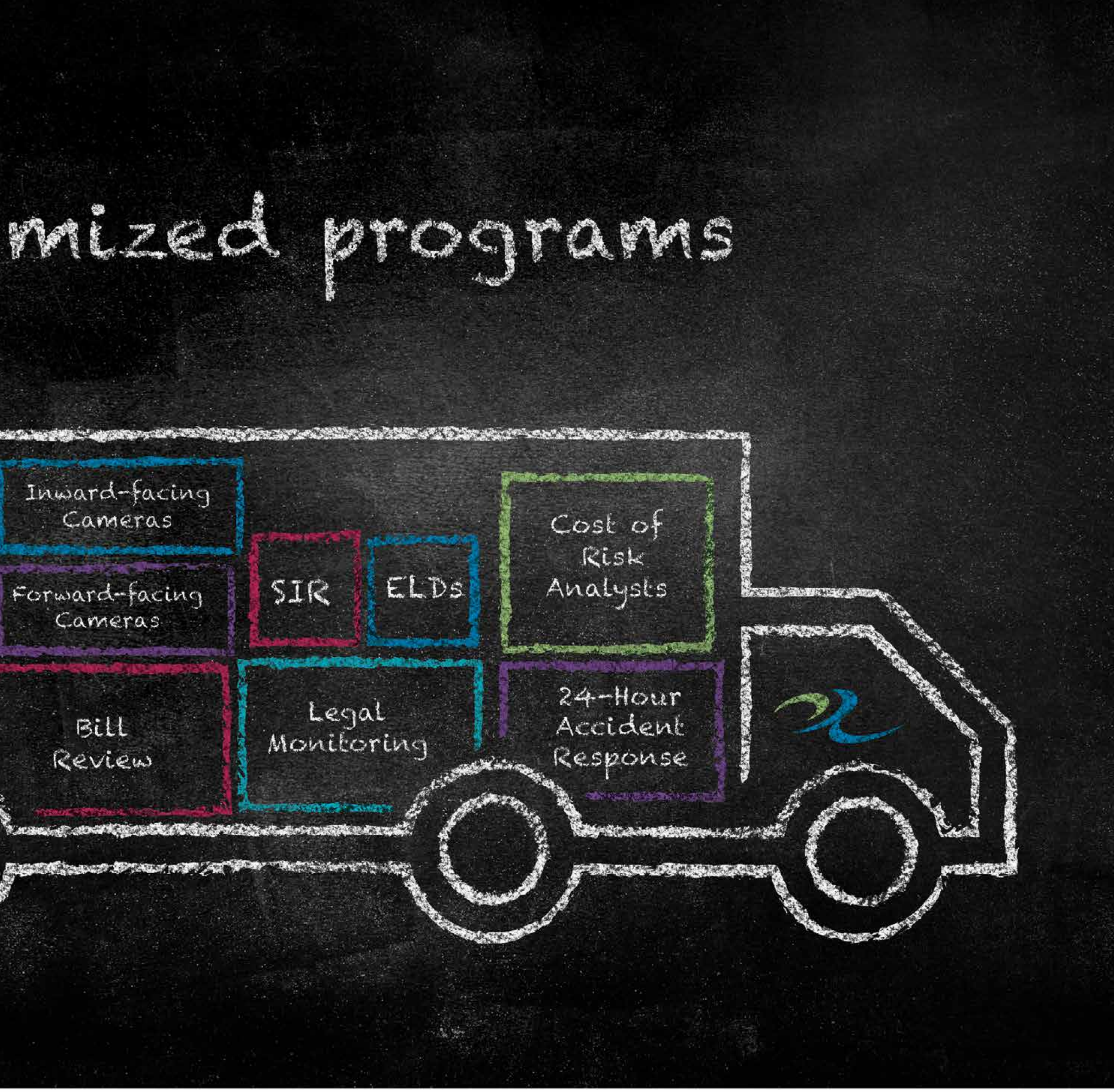

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lot of doubt concerning the correlation of CSA scores to accidents.

The Federal Motor Carrier Safety Administration is evaluating possible sweeping changes to the CSA program's Safety Measurement System used to identify carriers at high risk for future crashes.

Tomei said he hopes the next version of CSA will state that some criteria, such as certain vehicle maintenance issues, "don't directly tie to being an unsafe motor carrier and will be a better predictive model of an unsafe motor carrier."

Steve Bryan, founder and president of Vigillo, which was acquired by SambaSafety in 2017, said his company has seen many cases of high premiums "and even refusal to insure based on the current CSA scores over the last decade." Bryan is now executive vice president and general manager of SambaSafety Transportation.

SambaSafety in October 2018 announced a new CSA scorecard to address the Item Response Theory (IRT) model, a data methodology that the FMCSA is considering as it works to revamp the CSA program.

As for a timeline on the CSA program changes, Bryan told Transport Topics in August that FMCSA's pilot testing of the IRT model is likely to be delayed "a few months" from September 2019. He previously said FMCSA was targeting September for "small-scale testing."

If implemented, IRT would be the new methodology for determining a motor carrier's CSA score, Bryan said. "It will be a better way to price premiums by having a more accurate picture of the motor carrier's risks," Bryan said, noting SambaSafety believes it will be a "far superior model" to what FMCSA currently uses to come up with the score.

Bert Mayo, vice president of transportation risk solutions at insurance broker TrueNorth Cos., said that overall, the exodus of insurers in commercial auto liability insurance in recent years, in addition to the current CSA score issues, means prices are going up.

The severity of claims has increased dramatically in recent years, said Chris Mikolay, vice president of national accounts and truck alternative risk at National Interstate Insurance Co., which insures for-hire trucking fleets and offers traditional insurance and captive programs.

What might have been a $200,000 claim five years ago is now up to $500,000, Mikolay said, citing a more litigious environment and noting the industry continues to lose money on truck insurance.

Meanwhile, insurers are scrutinizing CSA's Behavior Analysis and Safety Improvement Categories, or BASICs, Mayo said. Carriers with two or three BASIC alerts "are really struggling" to get insurance or are paying very high premiums.

"The stake in the ground that has caused this shift is the recent nuclear verdicts," Mayo said. Insurers "have gotten several years' worth of data proving that higher CSA scores lead to higher claims."

This has nothing to do with the true safety of a motor carrier, Mayo said, but plaintiffs' attorneys use these CSA scores as indicators, "flying them around a courtroom, and a jury is not understanding what they really mean and making awards based off of high CSA scores."

A fleet executive offered his perspective.

"Carriers that have good safety performance are not getting increases," said James Burg, president of James Burg Trucking Co., based in Warren, Mich. Burg is chairman of the insurance task force at American Trucking Associations.

However, the frequency of roadside inspections is limited, Burg said. "Basically, there is not enough enforcement of the current rules."

Burg added that 70% of all motor carriers in North America operate five or fewer trucks, and the minimum number of inspections is three to populate any BASIC. "There's just no possible way that most of the motor carrier capacity can have enough inspections to have enough data to determine if they are safe or not."

In many cases, BASIC scores have no direct correlation to a motor carrier's risks, Mayo said. That means a carrier can have a high BASIC score in driver fitness or maintenance but have no accidents or crashes. "Having a light out, or a cracked windshield, or one wiper blade not working — these things are not proven to have any correlation to a crash."

Motor carriers can be on alerts for months. "Once you're on the CSA 'naughty list,' more attention is drawn to you," Tomei said. "You're likely to stay on the alert and have more inspections."

Sam Tucker, CEO of Carrier Risk Solutions, which provides safety and compliance services to motor carriers, including many small trucking companies, said that although competition for accounts with decent CSA BASIC scores and a profitable loss history still exists, "those who are challenged in either area have seen their rates increase dramatically or have been nonrenewed entirely."

"To compound that issue, insurance brokers aren't finding [underwriters as receptive as] they have in years past," Tucker said. "Even having the ability to place the account with a risk retention group or a less financially stable insurance carrier is much harder to do," Tucker said, noting a large risk retention group went bankrupt last year "and a large amount of capacity for harder-to-place risks went with it."

According to SambaSafety's Bryan, two key areas will be fixed with the new CSA system using IRT. The first is disparate enforcement in the states. "For example, currently, motor carriers that operate in Texas are scored much more harshly on vehicle maintenance than other states," he said. "Similarly, motor carriers in Indiana are much more harshly scored than other states for speeding-related violations."

The new system also will fix a defect in the methodology pertaining to safety event groups. This pertains to how motor carriers are grouped and scored against other peers in their group. "That grouping and scoring is badly defective," Bryan said.

Tommy Ruke, founder of the Motor Carrier Insurance Education Foundation, said CSA scores have become a major underwriting factor. There's more data and detail than ever before on a motor carrier's on-road activities, Ruke said.

Like Mayo, Ruke noted plaintiffs' attorneys are using this information against motor carriers in court.

National Interstate's Mikolay, meanwhile, said motor carriers should consider how much risk is appropriate for them to retain and the right mechanism to do so, whether it's a large deductible, a captive program or some other type of alternative risk program.

When a fleet starts to take on more risk, they get serious about safety, Mikolay said. "We generally see a safer culture because they're not just transferring the risk to someone else. Now, they are on the hook for what can be a substantial amount of money if they're not able to control their losses."

Meanwhile, the Federal Motor Carrier Safety Administration on July 31 proposed to make permanent a demonstration program that documents on a driver's or motor carrier's safety profile instances when a crash could not be prevented.

Trucking's Telematics Systems Are Only As Good as the Losses They Prevent

Rising insurance premiums are a perennial stress for many motor carriers, many of which are now installing telematics systems with the latest safety technologies to mitigate cost increases. This is a positive trend for the trucking industry, and more carriers should fully embrace these technologies as they soon will become necessary to operate a safe, efficient and, ultimately, more profitable trucking fleet.

Jennifer Wieroniey

Director, National Accounting & Finance Council
American Trucking Associations

Motor carriers that install telematics systems in their trucks often assume it will immediately reduce their insurance premiums. Telematics systems, which use onboard hardware to capture and transmit information to a carrier's back-office operations, can provide data as granular as individual driver seat belt use and hard braking; or, the data can be as expansive as average fleet speed. If properly used, these systems can reduce a carrier's overall costs related to safety incidents. However, insurance premiums are likely to only be marginally impacted.

In an age of "nuclear verdicts" against motor carriers — which range from $10 million to $247 million — insurance companies must closely monitor their bottom lines to make sure they are accurately pricing risk.

Telematics data is a useful tool to more precisely calculate risk. However, the algorithmic method by which insurance companies determine an individual motor carrier's insurance premium does not lend itself to much personalization based upon carrier-specific telematics data.

Insurers examine a motor carrier's three- to five-year claims data when setting premiums, which means the carrier may get a small discount for adding safety technologies, such as inward-facing cameras or collision mitigation and avoidance systems. The real discount, though, will be realized in three to five years if those devices have had a measurable impact on the carrier's claims data.

In brief, telematics systems are only as good as the losses they prevent.

Telematics still represents a sound long-term investment and can reduce certain short-term costs. However, given the significant costs to install and maintain many of these technologies, the desired return on investment may take a little longer to achieve than anticipated.

First, the short-term savings: The installation of telematics devices has an immediate impact on losses stemming from unsafe behaviors by drivers. Drivers are less likely to engage in risky behaviors once they are aware these behaviors are being monitored. According to one transportation insurance expert, the presence of a telematics device generally reduces loss costs by 20% to 25% through reduced deductibles.

Second, telematics provides hard data on favorable times and place of lanes traveled that could help reduce premiums. Insurers now are examining aggregate telematics data to determine which geographic regions, and even specific lanes, pose the greatest claims risk. Underwriters also have been able to parse out higher-risk travel times for specific locations.

Motor carriers should make sure their premiums accurately reflect when and where they are operating their trucks. For example, if a carrier has data to show it runs most of its freight in a lower-risk lane during a lower-risk time of day, that carrier may be able to negotiate lower premiums.

The use of telematics on the maintenance side reduces short- and long-term costs. Being able to more closely monitor driver behavior, such as excessive hard-braking (often a result of a lead foot on the accelerator) can help reduce brake repairs and fuel consumption, and reduce the potential for rear-ending stopped or slowed vehicles.

Ultimately, insurance companies will be the driving force behind wide-scale adoption of telematics devices.

In the not-too-distant future, insurers likely will require the disclosure of telematics data — which would be a good thing for the industry. By using telematics data to more accurately price risk, insurers reward the safest fleets and ensure the riskiest fleets are paying their fair share. This provides an additional financial incentive for safety.

Looking further down the road, the long-term cost savings from telematics can be substantial. If this technology prevents crashes, it will have a major impact on premium rates once that's borne out in a motor carrier's three-year claims history.

Melton Truck Lines Inc. is one of many motor carriers that recently invested in upgrading various safety technologies in its trucks.

"All 1,300-plus of our trucks are equipped with forward- and rear-facing cameras," Chief Financial Officer Robert Ragan said. "We have received a nice return on that investment in the form of litigation defense as well as driver counseling-coaching."

Tulsa, Okla.-based Melton Truck Lines ranks No. 85 on the Transport Topics Top 100 list of the largest for-hire carriers in North America.

All Melton trucks also will be equipped with collision mitigation and avoidance technology by the end of the year, Ragan said.

"These are not small investments; however, we will save money in the long run with reduced premiums and accident costs," he said. "In addition to the financial incentives, we also feel an obligation to society to purchase the technologies that save lives."

Like Melton, many motor carriers feel an obligation to install these technologies, which work in conjunction with telematics systems, because they know that it will save lives. Tragically, in 2017 nearly 4,800 individuals perished in accidents involving a truck, according to data from the Federal Motor Carrier Safety Administration.

Going forward, it's expected that advanced telematics systems can help reduce this number significantly. For example, FMCSA reports that 45% of the 841 truck drivers who died in crashes in 2017 were not wearing seat belts. These deaths are easily preventable with technology by allowing companies to better record driver behavior and further cultivate a company's safety culture.

Given the litigious nature of the trucking business climate and increased frequency of nuclear verdicts, higher insurance premiums may be unavoidable. However, forward-looking fleets can mitigate these increases for the long term by outfitting their vehicles now with the latest telematics systems that incorporate safety technologies.

The National Accounting & Finance Council of American Trucking Associations engages in advocacy, education and research of risk management, tax, accounting and finance matters affecting the trucking industry.

Getty Images

Cyberattacks: The Ever-Rising Threats

Having the Right Coverage Is Essential, Experts Say

By Fran Matso Lysiak
Features Editor

Cyberattacks represent an ever-increasing risk that motor carriers and fleets are up against — and which may not be insured under the typical coverages they carry, insurance industry experts said.

"Cyber is a potentially bankrupting exposure. It is important for all fleets and motor carriers to realize that they need to start treating this exposure the same as auto and workers' compensation coverage," said Dan Cook, principal and practice leader at insurance broker TrueNorth Cos.

Most fleets carry standard coverages to include auto liability, general liability, cargo, crime and workers' compensation, Cook said.

"Some may also secure crime coverage, to include computer fraud and funds transfer coverage," he said, adding that the coverages generally are not intended to provide defense costs and/or indemnity payments if a cyberbreach or malware attack occurs.

A cyberattack befell FedEx Corp.'s TNT Express unit in June 2017. TNT, a European parcel carrier, fell victim to the "Petya" attack, which FedEx said involved the spread of an information technology virus through a tax software product in Ukraine, one place where TNT operated.

And the company, by FedEx's admission, was unprotected. "We do not have cyber or other insurance in place that covers this attack," FedEx said in a July 2017 statement.

In a malware or ransomware attack, the hacker's goal is to shut down a motor carrier's operating system to extort a payment either to turn the system back on or to prevent the hacker from releasing personally identifiable information on employees, drivers or clients, Cook said.

Cyberattacks are not covered under traditional business interruption insurance in property policies, said Michael Born, vice president and account executive in the cybertechnology practice at insurance broker Lockton Cos. Business interruption insurance covers specific perils such as wind, fire, tornadoes and floods — perils that would physically affect a company's operations, Born said.

For trucking companies, many of which increasingly rely on their computer systems to manage the transportation of goods, sensitive data could include information on where a driver must go to pick up the next load.

That is a risk not only to the carrier's business but to the shipper's business as well, Born said. "Every company that has a computer system has cyberexposure."

James Burg, president of James Burg Trucking Co., said he's concerned that many fleets are outsourcing their driver qualification files to be more efficient. Burg, chairman of the insurance task force at American Trucking Associations, said he hopes fleets are using "the highest-quality security measures available" to protect this information.

Born also said that cyberinsurance coverage has been expanding to address the exposures to transportation and shipping companies' business operations. Specifically, cyberpolicies can address business interruption losses — which are income and extra expenses associated with the interruption to operations — that result from cyberattacks and for any unplanned and unexpected system outage. "This coverage can also be expanded to cover disruption to business operations caused by the system outage of a third-party service provider," he said.

Cyberpolicies must be customized to a motor carrier's risks.

"Fleets should understand the distinction between first- and third-party claims and assess their exposure based upon the number of records they have, their own internal IT platform and backup or disaster recovery plan, and then work to customize their coverage accordingly," Cook said.

Meanwhile, since 2017, "The frequency of attacks have increased, with social engineering being the main driver," Cook said. Social engineering insurance is coverage for loss of money or securities due to a person impersonating another and fraudulently providing instructions to transfer funds, he said.

Fighting the Good Fight in Safety: Data is Key

The claims and insurance environment for commercial transportation remains very challenging due to both increasing claims costs and the current legal landscape. For years, we have heard about the importance of data in reducing losses through predictive modeling; however, claim costs continue to rise. There is currently no reason to believe this trend will reverse anytime soon without serious industry-wide effort.

The commercial trucking industry has been, for some time now, in a perfect storm of driver shortage, stretched capacity and a worsening legal environment. At the same time, increasing claim frequency and severity rates are placing great upward pressure on commercial auto liability insurance rates. While the trucking economy shows signs of cooling, there appears to be no immediate end in sight to current loss trending. To combat this, enhanced training of drivers and operations personnel must continue to be a top priority.

"... it is imperative that trucking companies take full advantage of the available technology to analyze...data and monitor driver behavior."

Today's trucks and onboard safety systems are marvels in technology and data collection. In the instance of a bad accident, the plaintiff's counsel is going to be very interested in looking at this data. You can bet that if the data shows warning signs on which the motor carrier did not take action or simply missed, it will become an issue in the defense of the claim. Thus, it is imperative that trucking companies take full advantage of the available technology to analyze this mountain of data and monitor driver behavior.

One of the main behaviors monitored by safety technology systems is driver speeds. It has become very easy to monitor a driver's point-to-point speeds with current truck-based satellite communication systems. While highway speeds can be kept at bay with reasonably governed power units, secondary road speeds must be monitored using trip data. Even better is the use of an add-in tool that provides the company with real-time monitoring and speed warnings.

A more effective tool to monitor driver behavior, including speed, is use of dash-mounted camera systems. Events captured by these systems provide the greatest insight into a driver's habits. Some of the latest products also provide ongoing monitoring of following distance, speed and other factors without a particular triggering event. Over the years, we have seen this technology investment pay for itself.

When considering camera systems, companies oftentimes relent to driver pressure and activate only the outward-facing camera. To realize the full value of the investment, however, inward-facing cameras are recommended. The key to success in camera/event recorder implementation is timely and consistent counseling of drivers. This counseling must be positive and designed to have the driver preemptively correct less than safe behaviors, and must also include actionable changes a driver can make to help avoid future accidents.

You may wonder how the use of cameras or any type of safety technology might influence liability in the event of an accident. All in all, we have found that cameras have an overwhelmingly positive impact rather than negative implications. These systems, along with the common truck telematics, are producing a wealth of data that can be used to better target safety resources and make frontline personnel aware of drivers that may have an increased potential for accident activity.

At Napa River Insurance Services, we have embarked on a large-scale data project that will help insureds identify potential problem areas that can be addressed before they result in claim activity. We then use that information to tailor our Driver1st™ training program, offering frontline managers a more effective toolset that will provide the key to creating a safer environment for their professional drivers.

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Workers' Compensation

An Aging Driver Workforce Raises Risks for Fleets, Industry Experts Say

By Fran Matso Lysiak
Features Editor

An aging workforce of drivers is elevating the risk of workers' compensation claims for fleets even as trucking companies are seeing stable or even lower premiums for workers' compensation insurance, industry experts said.

"Whether it is getting in and out of the truck not using 'three points of contact,' working on top of trailers or being exposed to wet and slippery conditions, there are many exposures of this type for drivers," said Chris Mikolay, vice president of national accounts and truck alternative risk for National Interstate Insurance Co., which offers workers' compensation and commercial auto liability insurance for the industry.

Broadly defined, workers' compensation insurance provides coverage for medical expenses and lost wages to a company's employees who are injured on the job.

Common injuries that can lead to workers' compensation claims include those from slipping and falling while getting in or out of the truck cab or the back of the trailer, as well as those from cranking the landing gear, pulling a fifth-wheel pin from an "awkward position" to uncouple the trailer, and loading and unloading the truck, said Stephen Kane, president of Rolling Strong, which offers technology-based health and wellness services to motor carriers.

James Burg, president of James Burg Trucking Co., said that now, "people that just climb steps are having injuries that aren't related to the job, but more related to their bodies, but we're still being tagged with those claims."

Burg, who is chairman of the insurance task force at American Trucking Associations, said the rising age of the workforce is a contributing factor, noting that a 30-year-old who loses footing on the job might catch him or herself — "That wouldn't be an injury," he said — while an older worker in the same circumstance might get hurt. At 55, "that same stumble would now tear a meniscus," Burg said,


Quincy Smith via YouTube

A trucker exits his cab. Getting in and out of the truck is one of the many ways a driver can get injured on the job.

in Focus

adding that until a few years ago, he didn't know what a meniscus was.

Kane noted that drivers' tendons and the ligaments around their joints can get tight because of the sedentary nature of their work. They can also get dehydrated if they're drinking more coffee and energy drinks than water.

"The combination of these things makes drivers susceptible to injury, specifically to the shoulders, lower back and hips," said Kane, whose company offers workouts designed for truck drivers.

He added that drivers are twice as likely to get injured on the job compared with the general worker, "and it typically takes them almost twice as long to get back to work."

Tim Horgan, director of marketing at insurance broker Hub International, said that in 2012, an injured shoulder claim was settled for about $25,000. Today, that figure is $100,000 or higher.

Fleets should consider prehire physical abilities testing to help avoid "hiring a future claim," Mikolay said.

'Workers' compensation premiums have been a bright spot in an otherwise increasingly troublesome insurance market for motor carriers.'

Chris Mikolay
National Interstate Insurance Co.

However, an industry that is battling a shortage of drivers cannot always be picky, said Andrew Ladebauche, CEO of insurance broker Reliance Partners. Carriers must be somewhat flexible during the pre-employment screening process because it's "tough to get drivers right now," he said.

Risk Administration Services via YouTube

Loading and unloading the truck is another common way drivers can get injured.

Meanwhile, there is some good news for motor carriers when it comes to workers' compensation insurance.

"Workers' compensation premiums have been a bright spot in an otherwise increasingly troublesome insurance market for motor carriers," Mikolay said. That's a departure from commercial auto liability premiums, which he said, "have been rising rapidly."

"Truck liability rates have been going up, while many insurers now view workers' compensation as more favorable," said Dan Cook, principal and practice leader at insurance broker TrueNorth Cos. Cook noted that a rate reversal for workers' compensation and commercial auto liability has been unfolding over roughly the past seven years, and he pointed to, among other factors, state-based regulatory reforms in the workers' compensation market as a contributor.

But fleets don't have to wait for government reform to manage risk; they can take ownership through initiatives such as driver training.

"Educating drivers with various videos on how to safely get in and out of the truck or how to safely get on the back of a flatbed" can help, said Jerry Gillikin, chief marketing officer at Hub International. More of the company's clients are doing online training, something that's especially important for flatbed drivers, because they are "tarping, chaining and getting up on the truck."

One of the biggest workers' compensation exposures, however, is from motor vehicle accidents. Some of the costliest claims result from crashes so some fleets are using technology to help reduce the frequency of claims, Mikolay said, citing in-cab cameras that record externally and internally and collision-avoidance systems, among others.

Sam Tucker, CEO of Carrier Risk Solutions, a company that provides safety and compliance services to motor carriers, stressed the importance of cameras. One of his customers, which has 13 over-the-road trucks, caught a safety issue with its drivers last year after installing cameras in the cabs of the trucks.

"We then started getting the data back and noticed they had a safety belt problem with the drivers, and we previously had no idea," Tucker said.