

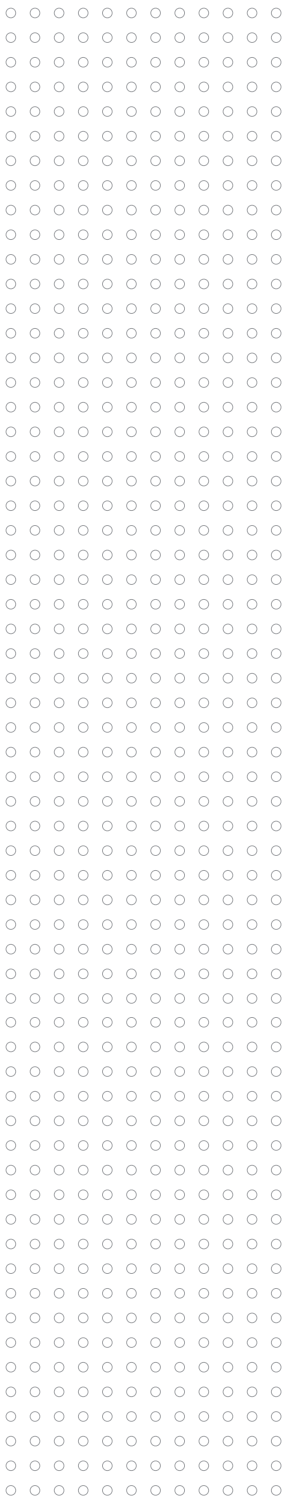
TRANSPORTATION INDUSTRY GUIDE

# Put the Brakes on Rising Insurance Costs

How to Successfully Steer Through an Uncertain Market



The cost to insure commercial fleets continues to rise. With inflation climbing, economic uncertainty and a fluctuating insurance market, a number of fleet carriers could face costly insurance renewals this year.



However, best-in-class fleet carriers have reason for optimism. Those with excellent driving records, a well-developed safety program and favorable loss experience backed up by telematic data will see low single-digit increases — or even a slight rate reduction — which will help them weather rising operational costs. But carriers with high accident frequency and substandard driving scores can expect at least 5% to 10% rate hikes and face increased deductibles.<sup>1</sup>

The cost of operating a fleet reached record levels in 2022, with surging fuel and acquisition costs, rising collision and maintenance repair costs and supply chain delays among the many contributing factors.<sup>2</sup> In January, consumers paid an average of \$3.50 for a gallon of gas. With oil averaging about \$80 a barrel, experts say it's unlikely that drivers will see a substantial drop in gas prices anytime soon.<sup>3</sup>

The price of auto body repairs also rose 8% in 2022 compared with the prior year,<sup>4</sup> in part due to the shortage of auto parts inventory. Although pandemic-related parts manufacturing shutdowns were more than two years ago, the reverberations are still being felt. The paucity of auto parts has driven prices up 25%, and it now takes autobody shops an average of 30 days longer to procure parts compared with pre-pandemic sourcing. In addition, the cost of manufacturing commodities such as copper, aluminum and steel have increased, providing further upward pressure on parts prices.<sup>5</sup>

Surging litigation and medical costs further compound the industry's insurance problems. Over the past decade, the cost of commercial auto insurance liability claims increased by more than \$20 billion. A large part of this escalation was due to “nuclear verdicts” — jury awards upwards of \$10 million to accident victims — some of whom received funding for the lawsuits from hedge funds or other financial third parties.<sup>6</sup> The cost of medical care also rose again, up more than 5% from a year ago.<sup>7</sup>

The confluence of these factors has made recovery of the commercial auto insurance industry unlikely.<sup>8</sup> Given the challenging market, some carriers have exited the line. Remaining insurers have increased their scrutiny of policyholders, becoming more selective.

<sup>1</sup> The Council of Insurance Agents and Brokers, *Q4 P/C Market Survey 2022*, accessed March 2, 2023.  
<sup>2</sup> Automotive Fleet, “[Fleet Costs are at Record Levels But the Full Impact Has Yet to be Felt](#),” January 31, 2023.  
<sup>3</sup> USA Today, “[Gas prices have jumped for five straight weeks and are ‘unlikely’ to drop soon, experts say](#),” January 30, 2023.  
<sup>4</sup> Verisk, “[Pricing physical damage for commercial auto in an era of inflation](#),” January 6, 2023.  
<sup>5</sup> Automotive Fleet, “[Multiple Parts Shortages Increasing Fleet Downtime](#),” January 5, 2022.  
<sup>6</sup> Insurance Information Institute, “[Litigation Is Driving Up U.S. Commercial Auto Insurance Costs, Study Finds](#),” February 8, 2022.  
<sup>7</sup> CNBC, “[Car insurance costs more, but ‘several million people’ may still not have enough, experts say](#),” September 21, 2022.  
<sup>8</sup> Fitch Ratings, “[U.S. Commercial Auto Insurance Recovery May Prove Unsustainable](#),” June 30, 2022.





# Safety First: Manage Your Risk

Annually, about one in five commercial fleet drivers will be involved in a traffic accident. Among all traffic accidents, more than half can be attributed to driver behaviors, including speeding, fatigue and distraction.

Creating a culture of safety, embracing technology, offering regular training and paying attention to your drivers' compliance, safety and accountability (CSA) scores can help reduce accidents and injuries, as well as your insurance premium.

But making safety a tenet of the company starts at the top. Ensure drivers know the company cares not just about their CSA scores, but also about their health and well-being. By placing safety at the center of everything you do, drivers will recognize that commitment and adopt a safety mindset too.

**Take up technology.** While fleets continue to promote safety using strategies such as driver training and written safety policies and procedures, more have adopted the use of technology to monitor fatigue, identify distracted driving, record speeding and accidents and alert drivers to hazards ahead. In fact, more than three-quarters of fleet managers have embraced both the use of active emergency braking and driver behavior telematics, and many have made the use of technology the focal point of their safety program.<sup>9</sup>

Incorporate the use of GPS and telematics data in your safety program and leverage this information to identify driver performance issues, monitor driver locations, improve communication, determine the cause of an accident and enhance compliance with pre-trip inspection policies. Software as a service (SaaS) technologies also can be used to streamline claims and hiring processes, onboard new drivers, track commercial driver's license (CDL) violations, ensure regulatory compliance, store documentation required by the Federal Motor Carrier Safety Administration and link drivers to necessary training and education requirements to keep them on the road.

## **FLEET RISK MANAGEMENT RESOURCES:**

- Fleet safety and DOT audit preparation
- Driver performance scoring and accountability programs
- Defensive driver training
- Auto dealer assessment
- Integrated ELD and driver behavior scoring tools

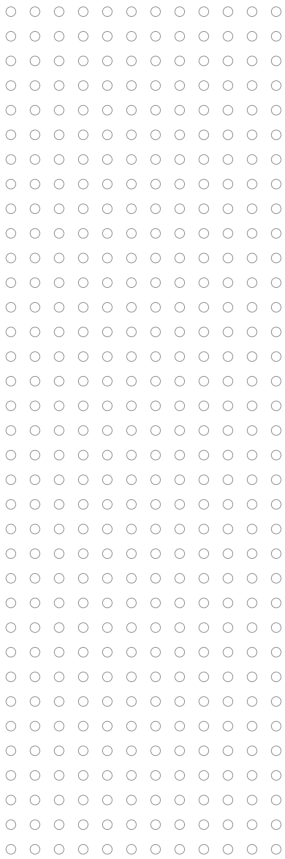
<sup>9</sup> GPS Insight, *2022 Fleet Safety Report*, accessed Feb. 10, 2023.

**Educate and evaluate in perpetuity.** Even the most seasoned drivers can slip into bad habits, but providing regular training and education can make a difference. At least monthly, send drivers notifications, emails or videos as training refreshers. These may highlight exceptional safety behaviors, show how an accident could have been avoided or review the fleet’s mandatory inspection checklist. The more frequently drivers receive training, the more likely they are to remember and improve.

Regular evaluation of drivers also should be a part of your safety culture. Take the time to coach drivers exhibiting unsafe behaviors and use your telematics data to help drivers understand how an incident might have been prevented if an accident occurs. Praise drivers who emulate the safety culture and consider offering small awards or tokens to those with exemplary driving records to encourage others to follow their example. Many technology systems use driver scoring and gamification in simple formats that are easy to review and adopt as part of the company culture.

Maintain an effective disciplinary program that also monitors CSA scores. Ensure drivers who are routine offenders undergo significant retraining or are dismissed before they damage your overall safety ratings — and increase your premiums.

**Be proud of your safety record and share it.** Let your insurers know how you have improved your fleet’s safety performance so they can factor that into your pricing. Underwriters want to insure best-in-class risks. Document all aspects of your safety program and quantify how your implementation improved overall accident frequency and severity.



## CASE STUDY

# A Snapshot of Safety Success

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### CHALLENGE

An aggregate hauler and garbage company continued to experience increasing accident frequency and severity. They needed better ways to monitor driver behavior and a strategy for streamlining claims.



### SOLUTION

- Installed a two-camera system for driver monitoring and telematics tracking.
- Established a claims management flow that allowed the company to submit claims and video online.
- Implemented a training center and onboarding modules.



### RESULTS

The combination of the camera system and driver coaching reduced incidents by 42%. The recordings of a severe accident with multiple bodily injuries led to the denial of a third-party claim valued at more than \$100,000.



# Take Care of Your People

The number of workers in the U.S. who quit their jobs broke an all-time record in April 2021, with significant numbers also saying goodbye to their employers in July and August of that year

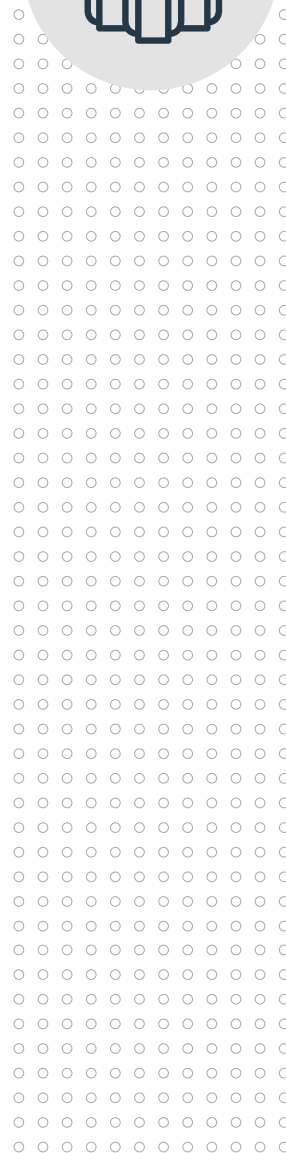
The labor shortage continues to challenge employers, particularly commercial fleet operators. In 2021, the trucking industry reported needing an additional 80,000 drivers. By 2023, that number is expected to grow to 160,000.<sup>10</sup>

Labor shortages are even more acute for last-mile delivery operators. Nearly two-thirds of last-mile drivers reported that in the past five years, they've been ordered to work faster and add new tasks — such as verifying identities at drop-offs — making them less satisfied with their jobs.<sup>11</sup>

Increased job pressures can negatively impact driver safety, job satisfaction and worker health. With millennial workers — the age group many commercial fleets are targeting to attract drivers — changing jobs every 2.4 years, these added stressors may make recruitment and retention even more difficult.

With 70% of truck drivers age 40 or older, and the average age of drivers just shy of 50 years old, fleet operators can expect to face staffing challenges for years to come.<sup>12</sup>

Taking care of your drivers, and ensuring they feel taken care of, can help you retain seasoned drivers and recruit new drivers who will be an asset to the company.



## FLEET SIZE MATTERS



In general, the insurance premium cost per mile has increased for fleets of all sizes, though small fleets are paying nearly twice as much per mile in premiums as large fleets. Small fleets paid an average of \$0.13 per mile in 2020 while large fleets paid an average of \$0.04 per mile.<sup>13</sup> These average rates per mile do not include the cost of deductibles and/or retention levels.

<sup>10</sup> Statista, "[Truck driver shortage in the United States from 2011 to 2030](#)," April 13, 2022.

<sup>11</sup> Automotive Fleet, "[One-Third of U.S. Delivery Drivers Say Volumes Increased Significantly](#)," December 8, 2022.

<sup>12</sup> U.S. Department of Transportation, "[Driving Automation Systems in Long-Haul Trucking and Bus Transit](#)," January 2021.

<sup>13</sup> American Transport Research Institute, "[The Impact of Rising Insurance Costs on the Trucking Industry](#)," February 2022.

**Maintain hiring policies and embrace mentoring.** Don't let the competitive job market lead you to relax your hiring policies. Carefully review all driver candidates' motor vehicle record (MVR) and pre-employment screening program (PSP) reports and ensure any new drivers pass a pre-hire road test. Consider pairing new hires with seasoned driver mentors who can help them learn your company policies and procedures. These experienced drivers also can reinforce the importance of your safety culture and create camaraderie between established drivers and those new to the fleet.

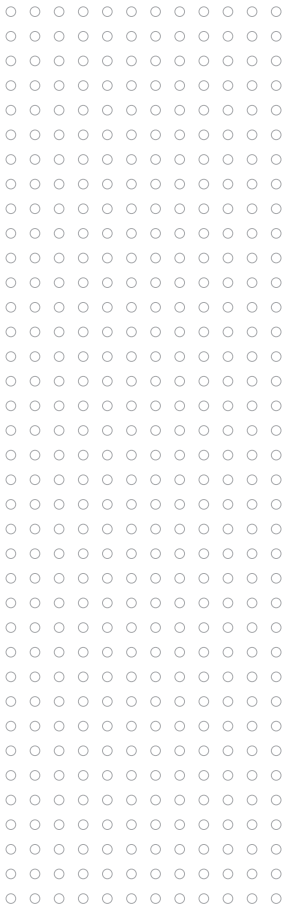
**Compel drivers to stay for the long haul.** High turnover rates can indicate a fleet with safety issues and flag concerns to underwriters. Fleet companies with a strong company culture that focuses on the safety and well-being of their employees will make their drivers feel connected to the organization and more likely to remain.

For independent contractors, innovative technology platforms can connect drivers and their families with health insurance options and other health and wellness resources to help them create a work-life balance and be their best on the road. Additionally, health monitoring can assure your drivers pass their DOT physicals and stay on the road to success.

**Commercial Auto Insurance Market Remains Challenging**

The challenging commercial insurance marketplace received a temporary claims reprieve in 2020 due to pandemic-related shutdowns but reported claims have risen to pre-pandemic levels. The cost of an average closed claim rose 35% between 2016 and 2021, with more claims litigation and larger settlements cited as the primary contributor to the surge in claims costs.

Although the commercial auto insurance sector performed favorably in 2021 and into the first part of 2022, market stressors are likely to put a damper on that improvement. However, the rate of premium increase in the market at renewal has continued to decrease, and that trend is likely to continue, offering more favorable renewals for best-in-class fleets.<sup>14</sup> But auto physical damage claims remain high and inflation continues to increase costs for both parts and repairs. These two trends could contribute to commercial auto increases of 10% or more for companies with a less favorable claims history.



<sup>14</sup> Fitch Ratings, "US Commercial Auto Insurance Recovery May Prove Unsustainable," June 30, 2022.

## CASE STUDY

# Sweeping Away High Cost Claims

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### CHALLENGE

A street sweeping company with more than 600 units struggled to track insured and self-insured claims.

### SOLUTION

HUB created a customized claims dashboard that provided the company with new first notice of loss with supporting documentation and offered a historical view of claims.

### RESULTS

By implementing the new technology, the company was able to identify divisions with higher-than-average claims, which led them to amend rates for improved profitability within those segments of their business. The centralized digital platform also increased the efficiency of the claims submission process and the speed at which claims were paid.







# Partner With A Broker Who Knows Your Business

Between the challenging commercial auto insurance marketplace and continually evolving transportation technology, you need a broker on your side who can guide you through the market's complexities, identify exposures and secure the coverage you require. As part of your overall risk management strategy, fleet companies should:

**Retain a knowledgeable broker.** Choose a broker that specializes in the trucking industry and plan for your next renewal at least six months in advance to put you in the best position at renewal time. Meet regularly with your broker to review losses and be sure to share relevant telematics and other data that can present your fleet in the best light.

**Assume more of your own risk.** With today's difficult commercial auto marketplace, fleets can reduce premiums by increasing deductibles and shouldering more of the risk. However, it's important to conduct a deep dive into your fleet company's finances and risk management strategy before adding additional exposure.

**Know your numbers and tell your story.** Work with your broker to paint a picture for insurance carriers that highlights the strength of your risk management program — and have the numbers to back it up. Be prepared to discuss any large claims and loss trends. Underwriters will want to know that you have a strategy in place to identify the root cause of those losses and prevent large claims in the future.

**Be transparent.** Let your broker know what changes you've made to the business throughout the year, so there are no surprises at renewal time. Share both good news and bad. Also, be forthcoming about your challenges and risk concerns and how you plan to address them. Consistent communication throughout the year will demonstrate your commitment to safety.

## Did You Know?



In 2019 the Federal Motor Carrier Safety Administration unveiled its Crash Preventability Determination Program, which allows fleet carriers an opportunity to demonstrate that a recordable crash was not preventable and have that CSA violation expunged.

Crashes that occurred on or after August 1, 2019, and fall into one of 10 listed categories are eligible for a request for data review when submitted with the required police accident report and photos or videos through the [FMCSA's website](#).

However, due to a high volume of submissions, data review requests take more than 90 days to process.

## CASE STUDY

# Speeding Through the Onboarding Process

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### CHALLENGE

A long-haul trucking company maintained a manual applicant tracking system with significant lag times for onboarding new drivers and relied on paper Department of Transportation (DOT) files.



### SOLUTION

The trucking company worked with [HUB Drive Online](#) to automate their onboarding and digitize and audit their DOT files.



### RESULTS

The trucking firm reduced its driver onboarding time frame from 17 days to four through improved technology and was able to amend an unsatisfactory CSA score identified in the DOT audit, which lowered insurance costs.





## CHECKLIST

# Choosing the Right Insurance Broker

You want to get advice from people who understand your business and know your industry. Before choosing your insurance broker, be sure to ask these important questions.

- ☐ **How long have you been involved in the trucking/transportation industry?**  
You don't want to be their first transportation client. Your business is risky enough.

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- ☐ **What percentage of your book are clients like me?**  
You want to confirm that your broker spends the majority of his or her time in your industry and understands emerging trends and issues that could impact your business.

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- ☐ **How many insurance carriers can you bring to the table?**  
Not all brokers have access to specialty insurance companies who serve the transportation market. It's important to align with a brokerage firm that is in good standing with carriers and has the best chance of securing optimal coverage and pricing for your business.

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- ☐ **In addition to fleet insurance, what expertise and services do you offer?**  
Your broker should introduce you to certified risk managers who know your industry and can help you address safety issues, improve fleet operations and advise you on telematic and technology solutions that are appropriate to your business.

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- ☐ **Can you review my contracts and advise me on risk exposures?**  
Experienced brokers can provide guidance and answer questions about your motor carrier and shipper contract agreements. They can point you to attorneys who know your business and can review your other business contracts for liability exposures.

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- ☐ **What experience does your team have with claims?**  
When you file an insurance claim, both your broker and your account management team should be committed to advocating on your behalf with the insurance carrier. Your broker should have the resources to support a proactive response and immediate oversight, which are critical in keeping a single claim from escalating into a large demand.

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- ☐ **What other services or expertise can you offer me?**  
Ask if your broker can introduce you to their counterparts in employee benefits consulting. There are so many new ways to support the needs of a mobile workforce and you need a specialist to advise you on benefits and supporting the health and well-being of your drivers.

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If you conduct cross-border business (U.S. and Canada), you'll need an insurance broker who can handle your needs in a seamless manner and address gaps in coverage. Working with a single brokerage firm with knowledge and experience on both sides of the border reduces your risk and your administrative workload.

# Strategic support that puts you in control

When you partner with us, you're at the center of a vast network of experts who will help you reach your goals. With HUB, you have peace of mind that what matters most to you will be protected — through unrelenting advocacy and tailored solutions that put you in control.

For more information on how to manage your insurance costs, reduce your risk and take care of your drivers, contact a HUB transportation insurance specialist.

[hubtransportation.com](https://hubtransportation.com)

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