



Factors Impacting Your Auto Liability Insurance Costs

Insurance companies are not in the business of losing money, however since 2011 transportation-specific markets have underperformed the overall insurance market in terms of the “Loss Ratio” (losses paid out versus premiums received). In fact, since 2015 the Loss Ratio for the trucking industry has exceeded 100%, meaning the insurance industry has lost money every year. The results have been increasing rates, fewer insurers, and the expectation that carriers will share in the losses by accepting higher deductibles.

What is causing the increasing losses and higher premiums?

Higher losses are being driven by nuclear verdicts, where the facts of the case take a back seat to plaintiff attorneys putting the company and trucking industry on trial. The plaintiff attorneys do this via a “reptile theory” litigation strategy where they try to make jurors feel that they, along with their families and the community, are personally threatened by the commercial driver, the carrier, and the trucking industry. The underlying message is that the jury must protect their family and the community by punishing the trucking industry, regardless of the facts of the case.

The plaintiff attorneys scrutinize the driver and the motor carrier for purposes of identifying potential violations, even though the violation may have had nothing to do with the accident. The plaintiff attorney looks for the smallest violation of corporate policy, safety programs, or of Federal Motor Carrier Safety Administration regulations. The goal of the 'reptile lawyer' is to paint the motor carrier or the industry in a way that projects placing profits over safety.

What are the key factors that insurance companies look for when considering a new customer?

Simple rules to follow that can affect the perception of your company.

1. Establish hiring standards and use them consistently. It is tempting in response to the shrinking driver pool to lower your standards or retain drivers you might have otherwise let go.
2. If you have a safety policy, follow it.
3. Maintain your vehicles, accumulating points in the Vehicle CSA basic is viewed as red flag by insurance companies, so high CSA scores can prevent them from even quoting your account.
4. Work to avoid potential situations of your drivers being distracted. Our industry is becoming more digital, however all drivers can and should wait until they have pulled over to check their messages and dispatch orders.



We have all heard of “nuclear verdicts”, they are real and can have results that defy logic. In one of the more celebrated cases, a woman traveling on a freeway in Texas, lost control of her car during a winter storm, causing her car to go through the center median into oncoming traffic. The car struck a tractor that was traveling well below the speed limit and under control. The driver of the car and her kids suffered serious injuries; however, the jury ignored the facts of the accident and awarded the woman who caused the accident ninety-one million dollars (\$91,000,000). The jury decided the driver trainer who was taking a break in the sleeper should have been in the passenger seat during the storm. There was never an allegation that the trainer could have or should have done something to prevent the accident, however the company had a policy that the trainer would be in the passenger seat under the circumstances surrounding the accident.

While most small companies do not buy high limits, the escalation of claims applies to even the minor claims. An insurance company will view a \$10,000 claim from 2015 as a \$50,000 on a 2021 renewal application. Insurance companies are looking to see what claims you have had in the past and what they might cost in today’s environment of Social Inflation and high verdicts.

What can a carrier do to best position themselves in today’s insurance market?

1. Don’t settle by just renewing with your current agent. Collect your “loss data” and seek alternative markets well before your renewal date. Most insurance companies are putting through automatic rate hikes regardless of the carrier’s record and will not consider companies’ individual performance unless there is competition for the business.
 - a. NVTAs has worked with Hylant Companies to ensure its members had access to a full-service broker who can provide access to alternative markets with insurance that meets the specific needs of the Vehicle Transport industry. The NVTAs Knowledge Page has great resources on the information you will need to collect to get alternative quotes and how to access your data.
2. Know who your drivers are. Carriers can get their CSA scores through the [FMCSA’s carrier portal](#).
3. Consider taking a higher deductible and the potential impact on your overall premium cost.
4. If you have adopted any new technology; adaptive cruise control, Duran system for maintaining proper air in your tires or even outward facing cameras in your trucks, let your insurance partner know. Adoption of new technologies reduces your exposure to accidents and can have a positive effect on your insurance rates.