AmWINS Group, Inc.

STATE OF THE TRANSPORTATION MARKET

Commercial auto claims continue to rise: emphasis on safety and technology at all time high

PRIMARY AUTO LIABILITY AND EXCESS LIABILITY

On the casualty side of transportation, market conditions continue to look different for buyers depending on the overall risk profile of the client.

This time last year, motor carriers were being squeezed by higher rates and tighter underwriting on both primary and excess liability. While the primary liability insurance marketplace remains volatile as a result of some standard markets exiting commercial trucking due to poor results, there has been a slight leveling out in premium trends through the first half of 2018.

Despite skyrocketing jury verdicts against trucking companies, the excess marketplace overall is mostly stable and has ample capacity, both domestically and in London/Bermuda. Underwriters within excess and primary liability give preference to risks that are focusing on safety, investing in training and technology, and retaining good drivers. However, accounts with poor loss history and unfavorable BASIC scores should expect to see increases in their rates.

“For primary auto liability, there are limited markets looking to write the tougher pieces of business,” says Joe Hutelmyer, chief underwriting officer of AmWINS Transportation Underwriters in Burlington, NC. In addition, some states are proving particularly difficult for placement, including Florida, Louisiana, Mississippi, and Michigan.

“While we can find a home for most auto accounts, the pricing can be a challenge. We have seen trucking operations close their doors because they simply can’t afford the insurance,” says Andrea Dickinson, executive vice president at AmWINS Brokerage in Nashville.

Transportation insurers are reeling from losses, with 2016 producing the worst underwriting performance since 2001, according to Fitch Ratings. Commercial auto losses grew from $744.8M in 2011 to over $2.9B in 2016, according to A.M. Best. Claim severity is being driven by increased litigation and more expensive vehicles, while an increase in frequency is tied to more miles being driven in an improving economy.

As a result, expect continued disciplined underwriting on the class going forward. “There is heavy emphasis on examining every detail of an account: safety programs, investment in safety technology, driver selection and training, and more,” Hutelmyer says.

At the same time that insurance premiums are rising to help cover losses, motor carriers are being pressured by new regulatory-driven costs, such as the FMCSA’s ELD mandate, as well as by demands to carry higher liability limits that satisfy shipper requirements and increase coverages, such as adding contingent liability.

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CONTACT

To learn more about how AmWINS can help you place coverage for your clients, reach out to your local AmWINS broker.

LEGAL DISCLAIMER

ON YOUR TEAM.

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The silver lining for retailers is that the market represents a growth opportunity. According to Fitch, 2016 saw commercial auto liability premiums expand by 5.6% -- the largest increase of any commercial segment. In today's improving economy, there are also more trucks on the road. However, retailers need to approach this opportunity with caution.

"Because transportation is one of the few segments in the property and casualty space where premiums are on the rise, there has been an increase in dabblers. It is more important than ever to partner with specialists to ensure that the best terms are negotiated and that dedicated transportation markets are engaged to deliver quality services. You may not realize how important having a claims team that focuses on transportation is until you need them," said Dickinson.

INLAND MARINE / PROPERTY

In the transportation property space, carriers that can offer Motor Truck Cargo Legal Liability (MTC) coverages are plentiful. Many of these carriers have opted to differentiate by creating proprietary product offerings, which afford expansive wording, in order to create value for insureds. While underwriters may debate how to effectively price a book of business, the marketplace agrees that not all forms are created equal.

Loss frequency and complexity is always an issue in this space. Offering more coverage, while remaining competitive and profitable, can be challenging. It is vital to have a specialized broker and underwriter involved, in order to understand unique coverage needs and mitigate exposures that would create roadblocks for the uninitiated.

We must also remind our trade partners that price is not the only factor.

"Buyers can't simply consider price. Coverage forms need to be examined carefully, with particular attention paid to driver restrictions, coinsurance clauses, towing limits, and commodities sub-limits and exclusions," says Zach Bowling, vice president at AmWINS Brokerage of the Midwest in Chicago.

When considering the Auto Physical Damage (APD) space, options are more limited, and appetites tend to be more restricted. Some of the carriers who entered the market between two and five years ago have begun to level off from a premium volume standpoint and have adjusted their underwriting appetite/guidelines as their loss experience and data set matures.

Domestic markets can be more competitive when packaging the APD with MTC. When APD must be placed monoline, it can be more limited and challenging, although there are a number of solutions, including the London marketplace.

Factors for APD are typically dependent solely on Fleet Size, Loss Experience and Deductible. Citing that new tractors are valued at upwards of $150K+, this segment is moving away from offering $1,000 deductibles, with many carriers pushing for fleets to take more skin in the game. We view the minimum deductible for APD accounts as $2,500, with many carriers shifting to $5,000 minimums.

The landscape is constantly changing, and a partner who specializes in the transportation property space is essential to navigating and understanding the volatility. "At AmWINS, we have our finger on the pulse of the marketplace," says Judd O'Neal, executive vice president at AmWINS Brokerage of the Midwest in Chicago. "We work with our clients to explain how different claims scenarios would be handled by different companies, and we are committed to partnering with markets who can provide solutions for the long term."