

HOW TO AVOID GETTING RUN OVER BY A MASSIVE FLEET INSURANCE PRICE INCREASE

On top of a variety of new regulatory requirements, the trucking industry is experiencing record increases in insurance premiums and worker's compensation costs. This is a potentially expensive combination that can have a serious impact on your bottom line.

[The Federal Motor Carrier Safety Administration](#) now requires truckers to carry a minimum of \$750,000 of liability insurance (up to \$5,000,000 depending on the cargo being transported).

On the regulatory side, one relevant example is that fleets transporting food have to contend with new [Food and Drug Administration](#) regulations requiring shippers to use sanitary transportation practices to ensure food is not transported under conditions that may render the food adulterated. According to the FDA, the rule will help ensure that transportation practices do not create food safety risks. While this is a laudable goal, the trucking industry bears the expense.

Once a fleet is insured and operating under new regulatory standards, drivers are getting hurt and killed on the job at a high rate. The [industry's worker's compensation claims](#) are the highest in the country, costing companies nearly \$600 million from 2002 to 2008, representing 7.5% of all claims dollars.

In short, the industry is getting battered on all sides, with rising costs eating into profit margins and putting the stability of less well capitalized businesses at risk. Trucking companies can benefit from a pound (not just an ounce) of prevention and from partnering with a risk management firm that understands the trucking industry and how to help keep claims and premium costs down.

RISING FLEET INSURANCE COSTS IN THE TRUCKING INDUSTRY

Premiums for liability insurance covering automobiles and trucks of all kinds are increasing as the insurance industry experiences higher claims and higher payouts per claim. Truck insurance premiums rose 11% in 2014.

Exhibit A: One of the country's largest carriers, State Farm, lost \$7 billion in 2016 as claims and loss adjustment expenses overwhelmed premium revenues. In 2015, they experienced a \$4.4 billion loss from auto claims.

But they are not the only ones raising rates. [Travelers, Allstate, and Geico](#) are also increasing premiums due to rising losses.

Rates of drunken driving may be much lower than they were 20 years ago, but distracted driving, which creates road conditions that can be just as dangerous, is on the rise. According to the federal government, [3,477 people were killed in 2015](#) due to distracted driving and another 391,000 were injured.

High-profile truck accidents that end with large insurance settlements like the [2015 crash that injured comedian Tracy Morgan](#) and killed comedian James 'Jimmy Mack' McNair are another contributing factor to rising insurance premiums.

A GROWING LIST OF REGULATIONS TARGET TRUCKING INDUSTRY

While the FDA rule cited above is an example of a federal regulation that will require additional costs to meet its mandate, the Rhode Island state legislature is considering a bill that would create the nation's first carbon tax.

Meant to accelerate the state's transition from oil, gasoline, and natural gas to local renewable energy like solar and wind power, it would do so by taxing, among other products, gasoline and diesel fuel. The bill, known as the

Clean Energy Investment and Carbon Pricing Act of 2017, imposes a \$15 tax on each ton of carbon dioxide or other greenhouse gases emitted from the burning of a fossil fuel. Gas and diesel retailers would either have the fee paid by their distributors or collect it at the pump.

Either way, your business will be paying the tax, if this bill passes intact and goes into effect on Jan. 1.

COST OF WORKER'S COMPENSATION CLAIMS IN THE TRUCKING INDUSTRY

Some worker's compensation claims are relatively minor and involve minimal or no time away from work, but that's not the case with truck drivers. According to the [National Council on Compensation Insurance](#), nearly 40% of non-fatal motor vehicle claims involve time lost from work, as opposed to just about 23% for all claims.

Claims involving motor vehicle accidents are also much more likely to be severe. They are nine times more likely to involve a fatality than claims overall, and two and a half more times likely to result in a permanent disability.

Trucking industry worker's motor-vehicle related compensation claims are more expensive than any other category, costing companies nearly \$600 million from 2002 to 2008, representing 7.5% of all claims dollars.

Claims like this also take longer to resolve. Twenty-four months after date of injury, 78% of motor vehicle claims are closed, compared with 91% for all claims.

All of this can be devastating to a company's balance sheet. When an employee is injured and doesn't return to work right away, there are potential legal costs, employee morale issues, potential loss of clients and of course, rising worker's compensation premiums.

BEST PRACTICES FOR AVOIDING ACCIDENTS, INJURIES, AND WORKERS' COMPENSATION CLAIMS

A pound of prevention will go a long way to mitigating risk of accidents, injuries, and worker's compensation claims.

Substantial investments in proactive measures include safety training, prequalifying drivers prior to hiring, conducting motor vehicle checks for speeding and other infractions, and background checks for driving while intoxicated and other serious offenses. Though implementing these kind of programs is not free, the savings that result from fewer accidents and claims greatly outweighs the upfront costs.

Drug and alcohol testing should be a bedrock part of your driving safety program. At the very least, tests should take place after any accident. Surprisingly, in 2014, nearly two-thirds of drivers who were involved in fatal accidents were not tested for drug use after the accident, according to the [Federal Motor Carrier Association](#). Of those who were, 14% tested positive for at least one drug.

When you have a reasonable suspicion that a driver has a substance abuse problem, drug testing should occur. Drug testing should also occur before any driver returns to work after an illness or injury. Prescription narcotics and synthetic opiates, in particular, often prescribed to treat pain, are a growing source of addiction. According to [National Institute of Health statistics](#), in 2012, 2.1 million people in the United States were suffering from substance use disorders related to prescription opioid pain relievers.

These are all cases where drug testing is "reactive." You should also consider combining a reactive program with a "proactive" program of random testing.

SINCLAIR SPECIALIZES IN TRUCKING

Sinclair Risk has a deep understanding of the transportation and trucking industry. In Rhode Island, we are proud to partner with the [Rhode Island Trucking Association](#), an excellent industry group that provides a number of valuable services to its members including safety training.

We are experts in helping create and implement a variety of trucking industry best practices including safety manual reviews, occupational clinics, post injury policies, modified duty programs, pre-hire physicals, and OSHA record keeping. We can also help you keep on top of new regulatory requirements and important legislation — like the Rhode Island carbon tax bill — that affects your business.

We work hard to help clients mitigate risk and keep their losses low through a comprehensive analysis of a member's operation, its existing insurance plan, claims history, safety practices, benefit concerns, human resources, and much more. Based on our evaluation, we make recommendations to improve safety and loss control and tailor a program specific to a member's needs. This approach not only serves to establish a culture of safety but also helps to stem losses.

Avoiding liability insurance premium increases and excess workers' compensation claims from fleet injuries and illness requires a comprehensive risk management strategy that includes safety and training programs, best hiring practices, and other risk control solutions.

For further information about best practices and lowering premium costs, please contact Jon Belek at jbelek@srfm.com.



WE'RE HERE TO HELP!

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