ARTICLES

Are Courier Insurance Costs Rising?

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Did we see this coming?

A hardening insurance market in the transportation sector continues to impact both insurance companies and YOUR bottom line.

With mega-claims payouts increasing, a growing number of insurance carriers are putting the brakes on writing new policies for newer companies, and some carriers are pulling out of transportation underwriting all together.

Transportation law attorney Henry Seaton, issues this warning to insurance shoppers looking for guidance.

Time to Manage Your Risk?

Truck insurance costs are going up, assuming you can even get coverage. The hardening truck insurance market received national attention last month in a Wall Street Journal article, 'Nulcear Verdicts' have insurers running from trucks. In fact, two major insurers, Zurich and AIG, have dropped coverage for most for-hire trucking companies.

More recently, Progressive, the nation's largest underwriter of motor carriers, told its agents that due to market conditions it is suspending the writing of new policies on carriers that have had USDOT numbers for 12 months or less.

Nuts & Bolts

The Federal Motor Carrier Safety Administration has pulled down Safety Measurement System alerts and relative percentiles under Congressional order, and the systemic flaws and unfairness of SMS are well established. But plaintiff's bar is still using SMS as a tool to increase judgments, and insurers still monitor roadside performance as predictors of plaintiff's demands for policy-limit settlements.

In addition to Progressive's stunning move, there are other signs that the limited markets for small and new carriers is contracting. With the increasing lack of options available to small and new carriers, it is imperative that small carriers (1) rely on knowledgeable insurance agents who can and will shop the available markets on their behalf; and (2) go to the marketplace early before your current policy expires.

The Insurance Road Ahead?

Unfortunately, small carriers don't have many options beyond shopping early and often. Creative insurance solutions such as captive self-insured status and high deductibles or self-insured retentions (SIRs) are not available to new and small carriers. Insurance when sold on a unit-specific basis represents a small carrier's third- or fourth-greatest fixed cost. You cannot wait until the last minute to obtain or renew your insurance, assuming that you can get and afford it.

Henry Seaton is senior partner of the law firm Seaton & Husk, which specializes in transportation law.

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