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Top Trends and Insurance Implications for Home Delivery in a Changing Marketplace

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As demand for home delivery services increases exponentially, retailers and the industry at large are working to accommodate a rising service sector. As a result, new technology and innovative solutions (apps, business models, insurance, etc.) are required to meet these demands and support companies operating in this segment.

Risk Strategies' ***Bryan Paulozzi*** and ***Brian Jungeberg*** weigh in on the state of the industry, including top trends, challenges and insurance implications to consider in 2018.

Q: In your opinion, what are the greatest challenges home delivery, last mile delivery and white glove delivery companies face?

Paulozzi: From a high level, companies should pay attention to bigger players (ride-share companies) entering the space and driving up competition. Also expect the possibility that tech giants like Amazon and Google could potentially get into the home delivery mix, deploying their own fleets to go direct to customers. Both would impact the competitive landscape and market prices—and not necessarily for the better.

As it relates to insurance, independent contractor (IC) misclassification presents a challenge to large and small delivery companies alike. Many third-party logistics companies (3PLs) still have contracting carriers operating under their authority within a master policy. This could threaten their IC status and thus result in an unintentional misclassification.

Jungeberg: I think insourcing is another issue home delivery companies need to watch. As external costs (such as the price of insurance) rise, then the cost transferred from 3PLs to the end customer will also rise. This will force customers to review outsourcing altogether and look for more cost efficient ways to operate.

Q: Similarly, what do you perceive to be the greatest opportunities for businesses and

independent contractors (ICs)?

Jungeberg: I would say the biggest opportunity for ICs is the exploding consumer demand for customized doorstep delivery. The appetite for instantaneous product delivery is growing by the day. From furniture and appliances to other household goods, being able to get whatever you want, when you want it, is the new norm. To appease the insatiable consumer demand, opportunities in this space will continue to explode.

Paulozzi: I agree 100%, and would also add that app-based technology is a huge driving force behind this shift in buying behavior. Mobile tech and automated purchasing systems enable consumers to effortlessly search, compare and purchase products from the convenience of their couch. As more consumers take to their phones or smart home tech (e.g. Amazon's Alexa), demand will continue to increase, and home delivery and last mile delivery providers will certainly benefit from that.

Q: What are the largest external factors impacting this industry and how service providers operate their business?

Paulozzi: From an insurance perspective, the overall tightening of the insurance market will impact home delivery and last mile delivery companies. Over the last few months, several major insurance carriers have exited the transportation delivery insurance market—including major underwriters like Zurich, AIG, Fireman's Fund, just to name a few.

Why are insurers removing their programs from the market? Because underpricing in the commercial auto sector over the past few years hasn't kept pace with the loss performance. Furthermore, auto related claims have been on the rise due to more distracted drivers on the road, plus the ability to tracks ones distraction prior to a crash if they are texting, tweeting, etc. — it all adds up to "nuclear verdicts" that are hitting the commercial auto insurance carriers hard.

Q: As it relates to insurance, what are the greatest challenges, threats and opportunities for home delivery, last mile delivery and white glove delivery services providers?

Paulozzi: There's no doubt the insurance landscape continues to change in this space. We see a growing number of last mile / home delivery companies transition to having ICs operating under their own authority and carrying their own insurance. This helps bolster the IC model, but also opens the door to more challenges and opportunities.

With this change, you're starting to see more portable insurance policies come into the mix, whether it's portable Occupational Accident or Property & Casualty insurance. Individual ICs benefit from using these policies to maintain insurance requirements between the 3PL companies for whom they work. This ultimately can help control costs for ICs, but can also present a challenge from a compliance perspective for the 3PL.

That being said, the good certainly outweighs the bad, as these portable policies help to drive down cost, support the IC model, and keep the loss performance burden off of the 3PL, which is a huge benefit.

Jungeberg: Another challenge or threat that could become an issue is the inability to control losses from claims in this industry. There could be a cost crunch that forces insurance carriers to raise rates *and* deductibles, which means the first dollars (out of pocket expense), to both contractors and 3PLs would be impacted if losses are not mitigated.

Risk Strategies Transportation *works with nearly 2000 delivery and logistics companies of all shapes and sizes nationwide, specializing in the full range of insurance and risk management solutions for this industry: property & casualty, alternative risk solutions, employee benefits, IC risk programs, key person risk management, safety and accident prevention, executive and family risk, and financial services.*

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