

# TRUCKING NAVIGATION GUIDE



***W.A. Schickedanz Agency, Inc., CMGA***

***Interstate Risk Placement, Inc.***

*Managing General Agents / Surplus Lines Brokers*

David A. Miller, CPCU

W. A. Schickedanz Agency, Inc. / Interstate Risk Placement, Inc. has produced this document to help producers understand requirements that Commercial Auto Underwriters must address to successfully and ethically market Trucking Risks.

Commercial Auto is a very competitive sector of the specialty insurance marketplace. Each risk has several variables. Each one of these variables by themselves can dramatically change how you market your account. Driver Turnover, Loss History, Safety Infractions, Routes, MVR Violations, Driver Log Violations, FPS & Navigation & Monitoring, Lease & Maintenance Agreements, Revenue Per Mile, Commodity being Hauled, DOT Filing Requirements, Governmental Regulation, just to name a few.

It is important for you as the producer to make sure you verify all of these requirements before you deliver your submission to your underwriter. Saying there are no losses on an account, when SAFER & CAB show two fatalities is going to throw up a red flag right away. Once the underwriter becomes aware that not even the basics have been looked at, your credibility is gone with that underwriter. You are the glue that brings the insured and the carrier together. The most successful transportation brokers are very aware and use that awareness to create a competitive advantage.

Commercial Auto Underwriters are the first line of defense for the insurance companies. Their job is to gather and analyze the information you provide them. If you omit information and leave it to an underwriter to assume or guess on the interpretation of that information, they will assume in favor of the insurance company and charge more premium. Underwriters dot I's and cross T's.

Plaintiff Attorneys prepare lawsuits by looking at all the same data underwriters use to determine pricing. Attorneys look at all the information and they too, create a picture of an unsafe operation. For example: Multiple "low treadware violation" does not just mean the insured needs new tires. Plaintiff attorneys who are doing their job will say that the insured has shown a flagrant disregard for safety & DOT regulations, and has poorly maintained their fleet. They would rather put company profits in their pockets than new tires on their trucks. Once a bad picture is painted of an insured, in front of a jury, the judgements can be staggering. Full policy limit payouts will effect your insured for at least three years. They will pay at least 25% to 100% more for insurance.

The most successful transportation agents understand how the underwriting information correlates together. It makes it much easier to deal with both the company underwriters and your clients when you understand the relationship between different pieces of information. It will make carrier selection easier. Time won't be wasted submitting business to programs that don't fit your clients risk's underwriting information. For example, Some insurance companies will not accept risks with loss ratios over 30%, other will not entertain risks hauling certain commodities like coal, while most carriers do not want new ventures.

The best way to approach an account is to contact an underwriter several months prior to the effective date with the DOT number. Ask them to look at the risk on the CAB (Central Analysis Bureau) to see if anything jumps out at them that might deter you from being able to effectively market the account. For example, Multiple Fatality Accidents, Drug & Alcohol Violations, USDOT Authority Revocations, Serious Safety Violations. If the risk is worth pursuing, then you need to address any deficiencies that have shown up. For example, Explain Loss History – company loss runs are vague, Bad MVR's, Variances in IFTA's, Weak Financials, Minor Safety Violations. Again, none of these things will hurt the insured unless they are not explained. Underwriters also want to hear about any implementation to improve these issues.

This is a line of business that requires open and direct lines of communication. You absolutely can not effectively market the account without it. This should be established before you begin work. A well versed and knowledgeable broker brings value to the table that the insured needs and respects, and that is the ability to effectively market their account. If the insured does not think you have a grasp of the information underwriters need, than you are never going to get their business.

95% percent of the battle that is commercial auto is effectively marketing your account. Having an understanding of what types of information company underwriters are looking for, and how that information correlates together is what the insured needs and expects. Being able to explain underwriting deficiencies, with risk management techniques (i.e. new hiring standards, safety directors, new maintenance schedules, etc) will boost your credibility with the underwriters. Your apps will find their way to the top pile on your underwriter's desk. Your underwriter considers themselves as professional and you want them to think of you in that light too.

# TABLE OF CONTENTS

- DEFINITIONS
- CLASSIFICATIONS
- AUTO FORMS
- AUTO LIABILITY TRUCKER LIABILITY COMPLIANCE
- CARGO
- GENERAL LIABILITY
- PHYSICAL DAMAGE
- SAFER SYSTEM – SAFETY & FITNESS ELECTRONIC RECORDS SYSTEM AND CAB – CENTRAL ANALYSIS BUREAU
- RED FLAGS
- GOOD RISK CHARACTERISTICS
- BAD RISK CHARACTERISTICS
- SUBMISSION REQUIREMENTS
- THINGS THAT WILL HELP YOU IN NEGOTIATING THE BEST PRICE
- KNOWN TRUCK FOR HIRE MARKETS

# DEFINITIONS

- **IFTA – Interstate Fuel Tax Agreement** – Report all interstate carriers keep track of miles in each state that they drive through. They pay fuel tax based on the miles traveled.
- **MCS-150 Motor Carrier Safety 150 Report** – Report all Truckers must fill out to be compliant with Federal Motor Carrier Safety Act. Can be viewed on SAFER or CAB website.
- **BCM 34 Federal Filing** – For common carrier Cargo compliant
- **91X Federal Filing for Liability** – compliance either \$750,000/\$1,000,000/\$5,000,000
- **Motor Carrier** – A company that provides truck transportation. There are two types of motor carriers.
  - **Contract Carrier** – Provides for hire truck transportation to specific individual shippers based on contracts. Must file liability insurance.
  - **Common Carrier** – Provides for hire truck transportation to the general public. Must file both liability and cargo insurance.
- **Out of Service** – When a carrier is stopped and not allowed to move on because the inspector believes there is a mechanical condition or load is hazardous to operate and likely to cause an accident or a breakdown
- **Private Carrier** – Company that provides truck transportation of its own cargo, usually as part of a business that produces, uses, sells and or buys the cargo being hauled.
- **For Hire Carrier** – Company that transports cargo of others and is paid for it. To operate as an interstate for hire carrier, a company must register with Federal Motor Carrier Safety Administration. There are two types of for hire carriers.
- **Motor Truck Cargo** – Cargo once it is loaded onto the truck. Covers loss to hauled property.
- **General Liability** – Covers Trucker for losses associated with hauling. Slip & fall, damage to goods not on truck.
- **Trailer Interchange** – Physical Damage coverage on trailers of others by interchange agreement between two parties. Usually is figured by a limit and trailer days. Charge daily rated based on the physical damage. Number of days that a trucker pulls a trailer he does not own. Often used with Rail contained freight.
- **Non Owned Physical Damage** – Usually amounts will be determined by owner of the trailer

- **Intermodal Freight** – Containerized freight where in the entire container is loaded intact between different modes of transportation such as ships, trains and trucks.
- **Owner Operator** – Owns their own truck and hire on with a carrier
- **Dead Head** – Non Trucking Liability traveling in a truck with no trailer
- **Hopper bottom trailer** – Trailer that delivers its goods from the bottom of the trailer. Bottom opens up. Good for haulers of sticky material like coal & coke.
- **End Dump** – Dumps by hydraulic means up and out
- **Mechanical Dumps** – Conveyor system to deliver goods out the rear with no trailer lift. Good for hauling sticky material like coal & coke.
- **Named Driver Exclusion** – Excludes specific drivers from policies

# CLASSIFICATIONS

- Light Truck – Trucks with a Gross Vehicle Weight (GVW) of 10,000 pounds or less
- Medium Truck – GVW between 10,001 – 20,000 pounds
- Heavy Truck – GVW between 20,001 – 45,000 pounds
- Extra Heavy Truck – GVW 45,000 pounds or more
- Truck Tractor – A motor vehicle for carrying commodities or material and equipped with a fifth wheel coupling device for semi trailers.
- Heavy Truck Tractors – GVW 45,000 pounds or less
- Extra Heavy Truck Tractor – GVW 45,001 or more
- Semi Trailer – A trailer equipped with a fifth wheel coupling device for use with a truck tractor, with load capacity of over 2,000
- Trailer – Any type trailer other than semi trailer with load limit over 2,000 pounds
- Service or utility trailer – Trailer including semi trailer with load capacity of 2,000 pounds or less
  
- If you have a hard time getting weight information go to [www.papertrucks.com](http://www.papertrucks.com)
- If it has two axles it is extra heavy
  
- Service – Used to transport insureds personal tools to and from job sites
- Retail – Used to pick up property from, or deliver property to individuals households
- Commercial – Used for transporting property, other than those defined as service or retail

# AUTO FORMS

- Symbol 1 – Any auto, don't have to schedule them. Covers any auto as long as the insured is using it.
- Symbol 2 – Any owned auto. Covers only autos that the insured owns. Includes autos you acquire ownership of after the policy begins.
- Symbol 3 – Owned private passenger autos only. Covers private passenger autos. Includes autos you acquire after the policy begins.
- Symbol 4 – Owned autos other than private passenger autos only. Covers only those autos you own that are not private passenger and for liability for trailers you don't own while attached to power units you own. Includes those autos not of the private passenger type you acquire after the policy begins.
- Symbol 5 – Owned autos. Subject to No Fault State.
- Symbol 6 – Owned autos. Subject to Compulsory Uninsured Motorist Law. Form you attach when the state requires and insured can not reject uninsured motorist coverage. It includes autos you acquire during the policy period after the policy begins.
- Symbol 7 – Specifically described autos. Covers only described autos. Coverage follows power unit. Non owned trailers have liability with this form.
- Symbol 8 – Hired Auto Only. Covers auto you lease, hire, rent or borrow. This does not include any auto you lease, hire, rent or borrow from any of your employees, partners or members, etc.
- Symbol 9 – Non-Owned Autos Only – Coverage auto you do not own, lease, hire, rent or borrow that are used in connection with your business. Includes auto owned by your employees, partners, members, etc.



# AUTO LIABILITY TRUCKER LIABILITY COMPLIANCE

Federal Filing **91X** required by Federal Transportation Safety Administration

- Statutory Limits
  - \$750,000
  - \$1,000,000
  - \$5,000,000
- Typically Auto Liability policies are written on a Symbol 7 – Specifically Described Autos and are on a reporting form or a non reporting form
  - Reporting Form – Rates based on a monthly or yearly report – Revenue, Mileage Units.
  - Non Reporting Form – Symbol 1
- Auto Liability **Exclusions** to be aware of
  - Care Custody Control
  - Movement of property by Mechanical Device
  - Handling of Property
  - Expected or Intended Injury
  - Contractual
  - Worker’s Comp
  - Employees Indemnification & Employer’s Liability
  - Fellow Employees
  - Pollution
- Deductibles
  - Combined Deductible – Pay one deductible for Liability, Physical Damage, and Cargo
  - Aggregate Deductible – Pay up to the deductible amount during a policy period. Once reached insured has no more deductible.
  - Per Claim Deductible – Each line has a deductible on all lines, each and every loss.

# CARGO

- Protects commodities, Goods of others is excluded from Auto Liability and General Liability, but truckers are still liable to protect.
- Can be written on named perils, broad form, or comprehensive coverage basis
- **Very few Cargo forms are the same. Need to make sure that the cargo form matches your commodity hauled.**
- Need to watch the various warranties and endorsements that each company puts on their cargo policies.
  - Locked Vehicle
  - Attended Vehicle
  - Trip Transit Coverage
  - Named Shipper Endorsement
  - Fenced Gated Yard – Gate needs to be closed and locked
  - Enclosed Building
  - Tarp; steel & cotton
  - Wrapping Materials
  - Reefer Excluded, need to buy an endorsement usually with \$2,500 deductible
  - Commodities Theft Limitation
  - Excludes Wetness, can buy back
  - Tarp Warranty – applies to flatbed guys with wet loads
  - Excludes Spoilage for reefer coverage
  - Alarm Locked Vehicle Warranty
  - Excludes certain cargo. Liquor, Tobacco, Furs, & Eggs.
  - Various commodity exclusion. Wine, Beer Electronics
  - Excludes loss from rain, sleet, hail or snow
  - Unattended Truck/Loaded Truck Warranty for theft
  - Check the declaration page and quotes to see what is and is not covered and what form it is written on. Make sure the shippers approve the form

- Combined Deductible on Cargo, Physical Damage
  - Check for increased Deductible on theft
  - Must request reefer breakdown, debris removal, and earned freight. Will not be automatically added to the policy.
  - Check quote to see if you are getting Named Perils or Broad Form
  - Check for higher theft deductibles
  - Insufficient securing of load
  - Excludes cotton unless less than 72 hours after ginning
- 
- Things to watch – Always ask for a sample copy of the forms...Always
    - Higher deductibles with certain perils, like theft
    - Make sure you know if Reefer Breakdown is included
    - Excludes Perils
    - Check the Warranties
    - Unattended Vehicle Warranties – typically the endorsement does not exclude a vehicle locked in a building or behind a locked fence.
    - Locked Vehicle Exclusion

# GENERAL LIABILITY

- ISO Classification guidelines indicate premium basis is payroll of terminal employees and garage and or repair persons, but not the drivers.
- The payroll of employees engaged in collection and delivery of merchandise on foot shall not be used in computing premium.
- Possible Liability Exposures
  - Insured loads and unloads cargo
  - Customer comes on insured's premises for business purposes.
  - Loading and unloading using a devise not attached to the truck or trailer. Drop cargo en route to truck.
  - Erroneous delivery of products, including liquids i.e. delivers diesel in a gasoline tank.
  - Sells equipment like a tire to another party
  - Guard dog or any dog on premises
- **It is very important to gather the correct payrolls for the operation. Each policy is subject to Premium Audit and they will be audited.**

# PHYSICAL DAMAGE

- Can be written with Liability & Cargo or written Mono-line on a new or stated value
- Things to be aware of
  - Deductibles – aggregate, per occurrence, or combined
  - Perils covered – Named Perils vs. Broad Form
    - Broad form covers windows and tires
    - Named perils covers not perils but does not cover windows and tires

**SAFER SYSTEM –  
SAFETY & FITNESS ELECTRONIC  
RECORDS SYSTEM &  
CAB – CENTRAL ANALYSIS BUREAU  
[www.safersys.org](http://www.safersys.org)**

- Utilized by all underwriters to gain information about a motor carrier
  - Accident History on the carrier and injury information and number of losses
  - Financial History of the carrier
  - Out of Service History
  - Driver Safety History
  - Can track vehicles VIN and tell how many authorities a vehicle has hauled for
  - Repair information on VIN#
  - DOT Inspection reports detailed ratio reports on citations
  - MC numbers – motor carrier
  - Authority History – can tell if there has been any issues or revocations
  - Insurance History and effective date
  - Type of Authority, Brokerage, Common, Contract Hauling
  - And Much, Much More Information
- 
- Basically, these are the sites that we go to, to verify the information on the application and loss runs.

# UNDERWRITING RED FLAGS

- Cancellation for non compliance of company recommendations
- Inability to obtain information from Insured
- Very Rapid growth of a new business venture without valid explanation. The explanation must be substantiated.
- Brokerage Operations – The insured could broker a load with a driver with no insurance. Since it is brokered on the insured authority, the insured's policy picks up the exposure with no compensation
- Old Equipment
- DUI or Drug Possession
- Unreported Drivers – Insured knowingly hire someone that does not meet the insurance companies hiring standards (i.e. 20 year old with DUI)
- Unreported Vehicles

# GOOD RISK CHARACTERISTICS

- No problems whatsoever obtaining information
- Low driver turnover – (good long term seasoned drivers)
- Low safety scores for drivers and vehicles on SAFER compared to national average (high is bad)
- Has established shipper relationships
- High revenue per mile 1.50/mile is considered high revenue
- Written Safety Manuals
- Foster an environment of Safety
- Neat premises
- GPS equipped vehicles
- All their info adds up
- Structured hiring practices. Has high expectations for drivers. Wants qualified drivers
- Low loss frequency



# BAD RISK CHARACTERISTICS

- Hard to obtain information
- High driver turnover
- High Safety Scores, drivers and vehicles
- Hauls anything, anywhere
- Has low revenue for type of operations – always exceptions
- No Safety Manual
- Inconsistent information
- No structured hiring practices – they tend to bring brand new young drivers. They are willing to take a chance with the public's safety.
- Loss Frequency problems. Over 30% loss ratio. 1.5 losses per million miles traveled.
- Insured acts confused when discussing requirements. They all understand. If they don't, you should seriously reconsider working on the account

# SUBMISSION REQUIREMENTS

- Fully completed applications – Acords with Supplemental
- Five year currently valued loss runs. Less than 60 days. A written explanation of any losses over 25K
- Drivers – schedule of all drivers – including
  - Date of birth
  - Drivers license number
  - Dates of hire
  - Years experience
- Detailed vehicle schedule – including
  - Garaging locations
  - VIN numbers
  - Stated values – on any vehicle that needs physical damage
- Copy of SAFER company snapshot – Clarify any issues on SAFER
- Last four quarters of IFTA (International Fuel Tax Agreement) reports
- Copies of any formal Safety or Maintenance agreements
- Details of Insureds hiring practices. What are they requirements, age, drug test, driver training, etc.

# THINGS THAT WILL HELP YOU IN NEGOTIATING THE BEST PRICE

- Get to know the insured operation. (i.e. safety managers, drug screening, maintenance schedules)
- Know their revenue per mile. If its high for industry it makes insured more preferred. They will tend to spend more money on maintenance and they don't run the wheels off the trucks. Discuss Revenue expectations with underwriters.
- Find out who they are hauling for. If they are hauling for only one or two entities you might be able to talk an underwriter into credits.
- What types of roads are they traveling? Highways are the best, Country Roads are the worst.
- Are their IFTA reports consistent? This will tell you how consistent their travels are. If they are all over the place, it indicates that they don't have stable routes.
- Are they backhauling? If so for who and what are they carrying?
- Do they use a freight broker to establish their routes. If they do this will often times raise the price of the liability. They are sent all over the place in broker situations.
- How is their out of service? Is it high? If it is you need to have an explanation as to why. It often reflects management style and priorities.
- Know the details of claims history. Frequency is the enemy, especially if it's the same type of losses. I.e. tire shredding on highway, rear ending people. Shock losses happen.

# KNOWN TRUCK FOR HIRE MARKETS

- Great West
- Northland
- Occidental Fire & Casualty
- Maxum Casualty Insurance Company
- National Casualty
- Carolina Casualty
- Sentry
- Acuity
- QBE
- Continental Western
- Progressive
- National Fire & Marine
- National Indemnity
- Acceptance Casualty
- Stratford Insurance
- Star Indemnity
- AIG
- Travelers
- Argonaut