Going into 2019, the trucking business remains robust although increasing driver wages and insurance costs are eroding profits.

Costs associated with labor, maintenance, equipment, licensing and compliance have increased steadily for several years. Truckers are charging higher fees for shipping services, but much of the increase is going to cover rising driver wages, which leaves many companies still struggling to make sufficient profit.

**The Market Today and Capacity**

Combined ratios for commercial auto liability market have deteriorated from 113.2 in 2016 to 113.5 in 2017. As a result of the deteriorating underwriting performance, commercial auto liability insurers are increasing rates and/or deductible levels for loss sensitive accounts.

In many cases, companies with a favorable loss experience are facing initial rate increases of 5% or more. Accounts with high loss ratios and CSA (Compliance Safety, Accountability) alerts, driving violations compiled by the Federal Motor Carrier Safety Administration, are experiencing steeper increases of more than 15%.

Underwriters are scrutinizing all accounts, with a particular focus on CSA scores, loss experience, and driver quality.

**Challenges**

- The firming rates are only going to make things more challenging for truckers.
- Compared to many other industries, insurance costs take up a larger percentage of truckers’ revenues.
- Since transportation is a low margin business, a 10% increase in insurance costs means trucking companies need to increase their revenue by as much as 20 times the impact just to cover its related cost.
- Transportation insurance losses are being driven by large jury awards, which regularly exceed $10 million and in a few cases $100 million.
- Plaintiff strategies such as using reptile tactics and attorney’s loaning money to fund litigation have also negatively impacted claim costs.
- Umbrella and excess markets are requiring higher attachment points for truckers. For some clients with fleet sizes as low as 200 units, acceptable attachment points of $1 million a few years ago are now being pushed to $2 million and higher.

**What Insureds Can Do**

- The current hardening market dynamic provides an opportunity for transportation companies and their brokers to leverage solutions and processes designed to reduce insurance costs.
- Companies can work with risk specialists to review CSA scores and take corrective actions. The CSA score, which is used to rate motor carriers in various categories, such as unsafe driving, crash indicator, hours-of-service compliance, and driver fitness, is now the first underwriting factor used by insurers to assess a company’s risk profile and what they should pay for coverage.
- State-of-the-art analytics and modeling tools can be used to pre-determine the appropriate pricing and deductible impact, a process that helps to strengthen the trucking company’s hand during negotiations with carriers and level the pricing playing field.

For more information on how USI can help protect your business, contact a USI consultant. Click to read the full [2019 USI Insurance Market Outlook](#) report.