



Blog by Tommy Ruke, The King Pin – Leading Expert in Truck Insurance

Thoughts on Current Readings

It's been a couple of weeks since my last blog. I've been on the road with programs and my 50th college reunion. Getting ready for the Annual Conference on the 16th and 17th. SOLD OUT! Wow! The second Annual Conference will have over 180 people in Orlando. I look forward to seeing everyone again.

A couple of items, as I catch up with my "reading" and questions –

What will Congress do with the Hours of Service and CSA public info? If you have been following this you will know that there has been a push to adjust the HOS regulation that became law effective July 2013. The discussion is the "restart" requirement and limitation of drive time. Based on my reading, I don't see Congress doing much until after the November election. As discussed in a previous blog, the FMCSA is standing by the current rules. The "Morgan" NJ case timing did not help this very important move to change these two provisions. Based on all we hear they are a real problem for motor carriers. So even after the election I don't see Congress doing anything till the new director of FMCSA reviews the rules and other studies (one by ATRI, which shows flaws in restart - Dan Murray will have more to say about this in Orlando). Any change by the FMCSA and the new director will require a stand in direct opposition to the previous director, whose last public comment was to defend current HOS rule will take time. These changes could take time, if ever. While thinking about this, remember that ELDs are coming. With the disagreement about the HOS rules, there is little negative response for ELDs. They are coming.

Second, Congress is being "pushed" for CSA's safety event group scores to be removed from public view – If you have not reviewed the recent changes in the CSA/SMS web pages you might not know that the scores now include those two new items. When opening a basics, the following wording will be found – "___% of motor carriers in the same safety event group have better on-road performance than this motor carrier". Right below the statement is a link that says "Who is in the safety event group?" Wow! A statement that says how bad the motor carrier is and who else is in their safety event group. Will these changes affect who will provide loads to insureds or how insurers or drivers will react to these statements? Time will tell. In Transport Topics two articles had my attention - 9/1 – "Groups Ask Foxx to Remove CSA Scores From Public View" – The "group" is most all transportation related associations, from ATA and TCA to OOIDA, brokers and 3PL. In the 9/29 headlines – "House Bill Moves to Prohibit CSA Scores on Website Until FMCSA Reworks System". The bill was introduced by Rep. Lou Barletta – R/PA. Of interest, the article also notes that besides not public, "the bill also would prevent the scores from being used as evidence in liability cases." We all can say an Amen! We will be following this closely. The final decision or lack of decision will be important.

A couple other articles also got my attention. One made news beyond the trucking industry - "Trucks That Drive Themselves", "The Dawn of Autonomous Driving?", "Daimler Demonstrates Self-Driving Truck, Says Technology Will Change Profession" – Last year at the Annual Conference Steve Bryant of Vigillo said, "Google will be the vehicle of the future." If you have not followed this you might not be aware that Google is now – yes now – testing on U.S. roads driverless cars. Stop there – What is the economic advantage to driverless cars, except maybe safety? Where would a driverless vehicle be of economic importance? Maybe trucking, and more so because of the driver shortage – thinking ahead. I believe there will be driverless trucks. Maybe not for years, but I believe this will become a part of the transportation industry in the future. Some of you will see them during your insurance career. So how and who will provide insurance to motor carriers using driverless trucks? Much more to come.

Lastly, something that we will need to deal with and soon – maybe sooner than we think. Transport Topics reports last week "FMCSA Delays Expected Publication Dates for Minimum Insurance, Speed-Limiter Rules" but the delay is not long. Insurance limits by the end of October, speed-limiters by the end of the year. Speed-limiters should have an impact on crashes and severity of crashes but could open up a new consideration - the insured (smaller ones) not using a limiter or finding a way to override. Claims and insurance considerations will be important. If law is in place but doesn't have to be met yet, how will the case be handled when the insured had not met the new law, even if a limiter would have impacted the case or if overrode at crash time? (Do you think you will have an insured who would override a limiter if it would allow them to haul more loads?)

There has been much talk about increased limits. A proposal a couple of years ago to increase to \$4,422,000 or so, which didn't go anywhere, but MAP21 required a "study". FMCSA published a "study" last spring that found (to no one's surprise) that an increase was needed and appointed a committee to come up with what the increase should be. So we are now not talking about will there be an increase but how much and when.

What limit – What I read is to expect \$750,000 to be increased to \$1,500,000 or even \$1,600,000 for minimum. I have not read about the limits beyond basic but I would think the \$1,000,000 for hazardous haulers would go to at least \$2,000,000 and maybe \$2,500,000.

When will these limits be effective? Next year? No later than two, in all likelihood. If FMCSA meets their revised deadline, now set for 11/1, the insurance industry will know what the new limits will be and when they must be met.

Do insurers have reinsurance in place to protect them from these higher exposures? How will it affect smaller motor carriers when in the past we could file a 91X at \$750,000 yet policy would have \$1,000,000 limit. Limiting exposure under 91X (and MCS90 for uncovered accidents when the 91X and MCS90 still obligates the insurance company to pay judgment.)

When a date is given it will have to be met or authority would be revoked. Will insurance carriers be prepared to raise the enforced policy limits to meet new requirements and make a new filing midterm? This cannot be done unilaterally. The insurance provider must send the insured an offer for the new limits and relay to the insured that they either accept the new offer, pay the new premium or the insurance carrier will cancel their filings. (Remember this will take at least 32 days to achieve the cancellation.) As you are underwriting policies after the date is announced and before it becomes effective you need to keep this in mind. You will have to meet these requirements midterm or will you offer the new limits, even though it's not required yet but will be during the term of the policy.

One last thought – This new requirement is coming when insurance providers are “shying” away from providing insurance to “truckers”, particularly smaller ones, and seeking additional rate. How will these new minimum requirements affect the insurance companies’ view of providing insurance to truckers and how much “additional” premium will they need? Agents need to watch closely and let your insureds know about the possible increase and also so they can start making adjustments in their business plan and letting their customers know and seek additional hauling rates because of the new cost of insurance.

Hope to see you in Orlando!