

TRUCKING

What's coming down the road?

The trucking insurance segment can never be seen as a short-term play to capitalize on top-line premium growth – in fact, it must be treated as the exact opposite. **Angelique Magi** of The Guarantee Company of North America answers some common questions about the sector

WITH LIABILITY limits from \$2 to \$10 million on every truck travelling to the US, the trucking insurance segment isn't for the faint of heart. Successful insurers take the time and effort to understand the necessary increase limit factors and loss development curves to get to an acceptable permissible loss ratio. They also aim to understand what affects their customers' ability to be successful, viable businesses and invest in comprehensive risk management expertise to help clients build their businesses safely.

Trucking clients face exposures that impact their businesses' profit margins – not just their insurers' loss ratios – every day: winter storm pileups that can stop their trucks for days on major routes, contract requests from customers that present unforeseen costs, changes to cross-border bonding requirements and paperwork that get their trucks turned away at the border. Legislated safety requirements such as electronic onboard recorders can affect long-term drivers, and of course, the economy can affect their profit margins (i.e., exchange rate, fuel prices, retaining the best drivers).

Insurers need to be engaged with brokers

and customers on their three- to-five-year business plans and develop an insurance program to help them reach those goals. This type of investment has historically resulted in higher retention rates and better long-term returns.

● **Insurance products will change in the coming years. Are we looking at the demise of typical auto coverage as we know it?**

I would call it more of an evolution of the product. Vehicle ownership has dictated where coverage and liability is allocated, through the Insurance Act and provincial auto policies. Currently, risk factors that impact consumers and insurers are identified based on usage: Uber, the driving behaviour of a new teenage driver or the number of hours a commercial driver has been behind the wheel.

These factors influence coverage costs to the consumer in many of the North American UBI rate plans, but it's not a stretch to see specific usage risk factors influencing what coverage is available to the operator as well. These new underwriting guidelines can create financial benefit for the operator if their usage



matches the insurer's target appetite.

● **Who will offer vehicle insurance in the future? Will brokers be squeezed out as trucking companies, manufacturers or even delivery companies like Amazon decide to provide insurance coverage?**

There will always be a place for a trusted independent advisor to provide insight into the nuances of the insurance contract and coverages provided. The Canadian consumer still views the insurance purchase as a significant financial decision, and consultancy with detailed product comparisons still matters, especially on the commercial side.

● **A sinking loonie has dramatically changed exposures, risks and claims for Canadian truckers operating in the US. What variables are insurers contending with today?**

The exchange rate can be a double-edged sword for Canadian truckers. It allows for more flexibility when negotiating contracts



operation is viewed by the government as skilled trade, public confidence in operator skill level is increased by promoting consistent training requirements of operators and mandatory entry-level testing, and greater visibility is achieved on technological advances.

● **What will the truck driver be like in the year 2030 – a pilot, a diagnostician or simply a robot?**

That's only 15 years away, but it's amazing to see how technology has changed so radically just in the last two years, such as with autonomous vehicles. Planes and larger commercial ships have autopilots that are engaged for the majority of the route, but human monitoring occurs at key intervals to ensure that the impact of outside forces can still be a judgment call. The difficulty with autonomous vehicles – trucks or cars – is the volume involved, the variety of navigational routes and risks that could happen on any given day. An example of this is the impact of the temporary HOV lanes in Toronto during the Pan Am games. To say nothing of dealing with Canadian winter!

A truly autonomous vehicle would have

with US-based shippers, manufacturers and distributors; however, the travel costs for those trucks when operating in the US also increase. This also includes the claims costs for incidents that occur in the US – in particular, towing or repair costs. It is the increase in the amount of bodily injury payouts that is not always anticipated by the trucking companies – and, unfortunately, their Canadian insurers.

The cost of settling a loss in the US has gone up by 25% in the last year, just with the exchange rate. That does not apply to losses that have happened in that time period, but for any loss that is going to be settled or sent to trial. There should be an increase in the amount of loss cost prior-year development for any insurer who has written US exposure and has an open claim. The potential ripple effect is a reduction in the excess capacity based on US mileage.

● **There is a shortage of qualified drivers. What can the industry and government**

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do to remedy this situation? Do millennials and the generation to follow see a future in the trucking industry?

There is a huge amount of effort and awareness on the part of the Canadian Trucking Alliance, provincial trucking associations and Trucking HR Canada to highlight the importance of having a strong workforce in the transportation sector.

For future generations to look at the transportation segment as a viable and long-term employment option, there must be a shift from current perceptions. This shift will begin when heavy commercial vehicle

to be equipped with thousands of contingencies based on schedules rather than a GPS re-route update from a single accident or construction zone. Even when vehicles can assimilate the operating environment data quickly to process the technical response required, there will still be a need for human interaction on judgment calls. ■■

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