IDELIC

Fleet Insurance & Why CSA Scores Aren't Effective Alone

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Trucking's Premier

WEEK OF WEBINARS

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The Insurance Industry Today

- The ability of plaintiffs to win major verdicts has led to a massive spike in “claim inflation.”
    - There have been changes in US legal culture that led to this: People are encouraged to pursue massive verdicts and juries are more willing to dole them out.
- The technology available to fleets—ELDs, cameras, & driver management platforms—has helped fleets push back against increasingly massive claims.
    - Technology has helped fleets better train their drivers and prove their safety in court.
- Of the entire property and casualty insurance industry, **commercial auto insurance has been the lowest-performing sector of all**.
    - Insurance companies are leaving the market en masse because of the rapid change in the insurance environment.
    - The insurance companies that have remained in the industry have had to totally rethink the pricing and risk models they use to assess coverage.
- Today, only the safest fleets are able to access cheap insurance, whereas previously, most fleets could.
    - This will lead to a “weeding out” of fleets who don’t take their safety seriously.

The Insurance Industry Today

- **Audience Question**: Why are rates increasing for fleets that haven't had significant claims in recent years?
  - The industry as a whole has had far more losses than anyone anticipated, so insurance companies have been forced to raise rates for everyone in response.
  - **Safe fleets need to take the situation into their own hands**: Enhance their use of technology and pursue alternative insurance methods.
- Insurance is a backward-looking industry, but technology is changing that.
  - Insurers typically look back 10 years into a fleet's records to price their risk, but fleets now have ELDs, cameras, and other technology that offer up-to-the-moment data and are better predictors of risk.
- The fleets that best utilize technology today are the ones that are going to thrive in this tough market.

CSA Scores: The Benefits and the Downfalls

- **The benefits of the CSA program:**
  - CSA scores provided a logical benchmarking system for safety standards than previously existed.
- **The drawbacks of the CSA program:**
  - With 50 states and different laws in each state, the data the FMCSA could base CSA scores on was limited.
  - Today, far more data exists about a fleet's safety than existed when CSA scores were rolled out.
  - Different sectors of the trucking industry are affected differently by CSA scores in a way that can be unfair.
- Today, insurance carriers see CSA scores as **a single data point among many others**.
  - While CSA scores are helpful for insurers, they simply aren't enough alone.
    - Example: A carrier can have solid CSA scores, but be inundated with telematics alerts that indicate a large amount of risk.

Insurance Carriers: How They Work Around CSA Scores

- **Audience Question**: "Do insurers use turnover rates to price coverage?"
  - If a fleet can't keep a driver happy enough to stick with them, they might not be a well-run business.
- Often, fleets are too quick to view their labor costs as simply an expense **rather than an investment**.
  - Drivers are people, not commodities. Treating drivers as people will lower their accident rates, which will help reduce insurance costs.
  - Driver turnover correlates with having a poor attitude toward safety culture. Insurers know this and act on it accordingly.
- Attitudes toward technology can affect an insurer's perspective of a fleet.
  - If a fleet refuses to invest in cameras, insurers see that as **a refusal to take safety seriously**.
  - Underwriting is as much art as it is science, so an insurer's perception of your attitude can matter to your rate.
- The technology available today can enable new processes that fleets can use to improve their safety record.
  - **Examples**:
    - Sharing data with a driver to show them areas where they can improve.
    - Assigning bonuses based on minimizing telematics alerts.

The Future of Commercial Trucking Insurance

- The insurtech industry is attempting to correlate a fleet’s insurance rates with the data they produce.
  - This will enable insurers to lower or increase a fleet’s rates on a monthly basis, improving the overall accuracy of their risk projections.
- Insurers are increasingly taking the view that fleets should receive credit for investing in technology.
  - This shows a willingness to improve their processes and make appropriate investments.
- Rate increases can’t continue forever without major negative consequences for the industry.
  - Rates have dramatically increased in recent years, but the industry still loses 10 cents on the dollar on average.
- In the next ten years, the insurance industry is going to be completely disrupted by telematics, artificial intelligence, and autonomous vehicles.
  - Fleets can get ahead of this trend by investing in technology themselves. Those that don’t will likely be left behind.
- Insurance carriers themselves are investing in technology, as those that failed to adapt have already started to leave the industry.
  - Insurers’ technology investments include:
    - Machine learning/predictive analytics
    - Integrations with telematics systems
    - Producing their own telematics systems

Steps You Can Take Today

- Fleets should not feel comfortable with their safety just because they look good on paper.
    - The way a fleet looks on paper can change quickly. Instead, to give some examples, fleets should show insurers:
        - How they've used technology to improve their driver training
        - How they've improved their risk mitigation strategies in recent years
- Fleets shouldn't just take up the insurance carrier that offers them the best rate.
    - Fleets should look to partner with carriers that will work with them and help them improve their use of technology.
- Fleets should improve the way they "tell their story" to insurance carriers.
    - They have to evaluate:
        - How they use technology today
        - How they are constantly improving their procedures
        - How they use data to train drivers

Q&A