

Trucking Insurance

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happy holidays

wishing you a safe and happy holiday season
and a successful New Year!

from your friends at TruckersB2B

In The News

New Offer on Cargo and Auto Physical Damage Insurance

TIBS (TruckersB2B Insurance and Benefits Solutions) is happy to announce a great new offer on Cargo and Auto Physical Damage Insurance from Essex Insurance Company. Finally, your acceptance is no longer based on your loss record, but on your MVR, and you get a combined policy with a combined single deductible (see article to the right). For more information about this great offer, call TruckersB2B today at 888.937.6334.

New Offers for Your Drivers

Attracting and retaining quality drivers can be tough. We want to provide you with as many tools as possible, and we are pleased to announce two new programs for your drivers; Wireless Internet Access and a Driver's Legal Plan. To help your drivers stay connected, TruckersB2B has partnered with Siricom, the largest Trucker Friendly Wi-Fi network that offers convenient internet access through their InTouch subscriptions. Members receive discounted rates (see article on page 2).

TruckersB2B has also teamed up with Open Road to offer a great legal protection plan for your drivers. The Open Road Driver's Plan™ helps protect a driver's livelihood... their CDL. As a TruckersB2B Member, your drivers are eligible for discounted rates (see article on page 3). For more information, call us today at 888.937.6334.

New! Receive a \$10 Rebate on any Tractor PM from TA Travel Centers

TruckersB2B Members can now receive a \$10 rebate on the purchase of any tractor PM at TA. Simply fax your invoice to TruckersB2B at 877.902.1498 to receive your rebate. Be sure to include your Member ID on the invoice.

Reminder - Save on Used Trucks

TruckersB2B Members can now earn up to \$1,000 on used trucks purchased from any of Arrow Truck Sales' U.S. locations (coupon required). For the coupon and a list of locations, visit www.truckersb2b.com/arrow. For more information, call us today at 888.937.6334.

TruckersB2B
It Pays to be a Member™



**Trucking Insurance -
The High Cost of Doing Business**

BY J.W. TAYLOR, Partner, Brown, Garganese, Weiss & D'Agresta, P.A.

If you drive a commercial truck, you have felt the sting of increasing insurance costs. Annual increases of 15%-20% for insurance coverage are not uncommon. Insurance costs have increased by 40% for many motor carriers over the recent years. This burden is unbearable for many trucking companies, especially when combined with the cost of fuel. For small fleets matters get worse.

Ninety-six percent of the estimated 360,000 motor carriers operate 28 or fewer power units while 82% operate 6 or fewer power units. These small fleets often do not generate the premiums that insurance companies desire in order to offset possible large losses. The result is that small fleets pay an estimated 20% more in premiums.

Generally, insurance premiums are dictated by the performance of the insurance companies investments and the loss experience of the motor carriers. A poor loss history can be particularly devastating to small fleets.

Motor vehicle crashes cost society about \$4,900 per second. An estimated 41,000 to 45,000 traffic deaths occur every year. Fewer than 9% involve commercial vehicles. While the number of trucking crashes may be decreasing, damage awards from litigation are on the rise. In fact, a 2005 study by the Insurance Research Council found that there is now a greater propensity to sue when there is a crash. Increased cost of litigation, claims losses from 9/11, and the recent devastating losses associated with the recent hurricanes will not provide relief from escalating insurance premiums in the near future.

It is of no great surprise then that Motor Carrier Industry Experts have pegged the cost of insurance as the greatest threat to productivity for motor carriers. The hours of service, rule changes, and fuel volatility round out the top threats. Notwithstanding the high insurance cost, motor carriers must insure against losses.

While there are several types of trucking-related insurance coverages, the most common are:

Auto Liability. Covers losses and injury to third parties and is required by the Federal Regulations. The Federal Regulation also requires the motor carrier to provide coverage for the operation of leased power units. Shippers are increasingly requiring greater coverage limits in shipper contracts. The norm has been coverage limits of \$1,000,000. It is not unusual for shippers to now request \$2,000,000 or even \$5,000,000 in limits. Of course, these contract requirements increase the cost of insurance for the motor carrier.

Physical Damage. Insurance for your truck and trailer. The insurance premium is based on a percentage of the value of your equipment. The coverage is not required by law, but is often required by the lender financing the equipment and is considered good business practice. Motor carriers who fail to properly insure their equipment can suffer the insured impact of uninsured costs associated with crashes. Such costs include driver replacement, vehicle replacement, down time, and lost business.

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Cargo Coverage. Insures damage or loss to cargo in transit. This coverage is often riddled with exclusions. An example would be unattended vehicles and excluded high dollar commodities. Few motor carriers actually read the cargo policy and are sorely disappointed when a claim for a stolen load is denied because the driver stopped to grab a bite to eat. An uninsured high dollar claim can put a small carrier out of business.

General Liability. Protects against claims that do not involve the power unit. For example, a slip and fall at the terminal and contractual exposures.

Non-trucking Liability. Covers damage or loss to third parties when the power unit is not under dispatch by the motor carrier (sometimes referred to as bobtail liability). Many owner-operators are finding that this coverage is required if the owner-operator leases to a motor carrier.

Workers Compensation. Covers work related injuries for employees. The local state statutes control the coverage limits. In some states workers compensation coverage for motor carriers has become so expensive that many simply cannot afford it. Occupational accidental insurance is now commonly required in owner-operator lease situations.

Though motor carriers cite high insurance costs as a major cost of doing business, few

are able to suggest solutions to the problem. Some motor carriers are taking proactive steps in areas they can influence. For example, more than 95% of vehicle crashes result from driver error and may be contributed to one or more of the following behaviors: excessive speed, unsafe lane changes, failure to signal, tailgating, failure to yield right of way, disregard of traffic control signals and impaired driving.

Many motor carriers are reacting by controlling losses with quality safety programs. The result can be a marked reduction in loss history and insurance costs. Over time the best way to secure the most coverage for the best rate is to bring down claims cost. A clean safety/loss record for a small fleet is imperative.

Some motor carriers have dramatically increased their deductible or self-insure. Small fleets are aggressively seeking pooling of loss risk opportunities in an effort to reduce insurance costs. Programs that offer the pooling of the risk to smaller fleets can provide a reduction in insurance cost, as the losses are shared across the loss pool.

Future vehicular crash projections do not paint a rosy picture. Estimates are that by 2025, the total costs for motor vehicle accidents in the U.S. will exceed \$450 billion. Therefore, it is important that motor carri-

ers, especially small fleets, find ways to decrease insurance costs in order to remain competitive.

New Offering on Cargo & Physical Damage Insurance

TIBS (TruckersB2B Insurance & Benefits Solutions) has partnered with Essex Insurance Company to bring Members a great offering on Cargo and Auto Physical Damage Insurance. Coverage is based on MVR, not your loss record. Now, you can get a combined cargo and physical damage policy with a combined single deductible. Protect your livelihood and get the coverage you need to keep your trucks on the road! While this program is geared towards fleets with 10 trucks or less, we have also been able to arrange great programs for larger fleets. Call TruckersB2B today for more information at 888.937.6334.

Sources

1) France, Larry G. "Trucking — Harder With Fewer Players; And 9/11 Plays A Big Role As Well". Rough Notes Magazine August 2002. Retrieved December 13, 2005. <http://www.roughnotes.com/mmagazine/2002/august02/08p59.htm> 2) "Trucking Statistics". Truckinginfo.net. Site Last Updated December 14, 2005. Retrieved December 13, 2005. <http://www.truckinginfo.net/trucking/stats.htm> 3) ICF CONSULTING. "Evaluation of U.S. Commercial Motor Carrier Industry Challenges and Opportunities. Final Report". U.S. Department of Transportation Federal Highway Administration March 31, 2005. Retrieved December 13, 2005. http://ops.fhwa.dot.gov/freight/publications/eval_mc_industry/ 4) United States House of Representatives. "Table 1. Employer Costs from Auto Accidents in 1994 (billion)". "Figure 1. Costs of On-the-job auto Injuries to Employers". Joint Economic Committee Calculations Using Data From The National Highway Traffic Society Administration. Site Last Updated December 14, 2005. Retrieved December 13, 2005. <http://www.house.gov/jec/tort/relief/fig-1.gif>

It pays to be a member.™

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