AmWINS Group, Inc.

CLIENT ADVISORY

CAB USAGE IN UNDERWRITING TRUCKERS

Your transportation underwriter's favorite word probably isn't "no."

Finding cover for an experienced motor carrier with an above average safety history should be an easy task. However, when a motor carrier's safety history has an SMS alert or two or if they are flagged as having the same phone number as another operation, finding coverage is increasingly difficult. One of the biggest failures in the transportation insurance marketplace is that we don't do enough to educate our insureds and retail agents on how insurance companies are interpreting risk information, and why certain determinations are being made – especially with respect to the usage of tools like the Central Analysis Bureau (CAB) reports and the FMCSA's Safety Measurement System (SMS). An introductory article on the information available can be found in this AAMGA Article, but the purpose of the following is to provide a more focused insight into a few common issues that are raising questions or concerns when found in an insured's CAB report.

UNDER WHAT SCENARIOS WOULD THE CAB REPORT THAT A VIN IS BEING USED PRIOR, DURING OR AFTER THE COVERAGE PERIOD BY ANOTHER ENTITY?

- Ideally an owner-operator leased to an insured would operate under a permanent lease; however if the owner-operator has their own authority or if the lease allows the owner-operator to work for additional parties, this may show up as 'During.'
- Insured may have de-leased an owner-operator or sold the equipment during the period in question.
- A company's DOT number may have been erroneously captured by DOT officer. This is uncommon, but possible, and can be corrected by a company challenging the inspection by utilizing the FMCSA's DataQs system.
- On the negative side, a company may be operating under multiple authorities. If there is a shared VIN between multiple carriers and there is also a shared address, phone number or e-mail address then the risk will be flagged as a chameleon carrier and an icon will be present on the CAB search screen indicating the risk as such.

IF AN OWNER-OPERATOR IS HAULING FOR THE INSURED UNDER THE INSURED'S AUTHORITY, IS THE INSPECTION DATA GOING TO BE REFLECTED ON THE INSURED'S CAB REPORT OR WOULD IT APPEAR ON THE OWNER-OPERATOR'S CAB REPORT AS WELL, ALONGSIDE ANY OTHER FIRM HE MIGHT HAUL FOR?

- Inspection data is captured under the DOT number for both the company the driver is operating under at the time of the inspection as well as the driver's individual record. This information is housed separately whereas company data is publicly available (and included in a party's CAB report) and driver data is held in a separate database. Driver data is currently only available to individual drivers and their potential employers through the FMCSA Pre-employment Screening Program (PSP).

WHAT UNDERWRITING ACTIONS ARE TAKEN WHEN CAB INDICATES THAT AN INSURED/APPLICANT SHARES A PHONE/FAX NUMBER, E-MAIL ADDRESS OR PHYSICAL ADDRESS WITH MULTIPLE OTHER ENTITIES?

- Having a shared phone number or address is not necessarily indicative of shared ownership or additional exposure, but it is something to investigate. The most common reason for a shared phone number or address is when a permitting office (used by a company to manage certificates, process MCS150 filings, etc.) lists their phone number and address, rather than the trucking company's, with the FMCSA. In these instances it is not uncommon to see several dozen to hundreds of entities with the same phone number, fax number or mailing address. When this is the case, there is little additional exposure being presented and an underwriter can proceed without any further questions.
- The second most common reason for a shared phone number or address is when small operations share a dispatch office. The key here is ensuring that ownership is separate and that there is no cross-use of drivers or equipment. Corporationwiki is a great tool by which an underwriter can look into ownership of a corporation – as well as looking at risk information like an e-mail address, loss control contact or even names of companies.

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- Additionally there may be outdated information listed with the FMCSA (a company is required to update their MCS150 biannually) or there may be an office suite where the FMCSA does not differentiate between the suite or apartment numbers due to how the information was initially submitted to the FMCSA.
- If there are entities with a shared phone number or address, it is imperative that the underwriter research the shared connections. Reviewing the dates on which authority was held in these operations (did one end shortly before another operation started?), reviewing the employment history of the drivers (on the application and/or by searching the VIN number of equipment in the CAB VITAL search), and reviewing Corporationwiki are all means by which an underwriter can try to verify the relationship. An underwriter would likely also ask the insured for an explanation of the relationship to see how that meshes with what was discovered in the review.

  If a shared relationship is proven, then an underwriter would review the facts and make a determination on the exposure presented by this relationship. A son who used to work for his father but is now starting his own operation where there is no shared equipment or drivers would be considered on the merits of the driver's history and any trends visible in the father's CAB report. However, a risk where a son is starting his own operation at the same time that the father's operation is going out of business is something an underwriter may decline due to the potential exposure.

WHAT ACTIONS ARE TAKEN IF THE CAB REPORTS THAT THE DERIVED VEHICLE COUNT IS SEVERAL UNITS OVER WHAT IS PRESENT ON THE POLICY / SAFER?

- The "Derived" vehicle calculation is developed from the count of VINs and license plate numbers where there has been a roadside inspection during a 24-month period. Typically this number is going to be indicative of the number of units running under a company's authority with a small swing, as the nature of trucking allows for a regular change in equipment.
- Disparity in numbers could be presented by the following:
  - Insured could have brokerage authority
  - Insured could be utilizing owner-operators under short-term leases
  - High turnover of owner-operators
  - Change in operations (downsizing, growth)
  - Change in equipment (older equipment is being replaced now that the economy has improved)
  - Short-term rental of equipment (typically only an issue on seasonal operations)
  - Undisclosed equipment
- Each of the above items has some additional exposure associated with it, though the degree to which this affects a risk varies wildly. For example – a large-scale downsizing of an operation, with proof via lease terminations and vehicle bills of sale, may present a better exposure than the formerly large operation as the risk may have realized they've grown beyond their scope. On the other hand, rapid growth will likely present a great increase in exposure if the management/owners do not have a history with similar sized operations (vehicle maintenance, driver hiring/training, etc.)

  The greater the disparity in the unit count, the greater the grounds for declination. Without a great deal of supporting correspondence addressing the change in operations and what measurements are in place to ensure the stability of the operation going forward, an underwriter has little grounds accepting the exposure. However, if this additional detail is provided, the rate determination will be wholly dependent on data (resume of principals, written plan for proceeding, etc.) that's not as reliable as other underwriting information (losses, IFTAs, driver history). Therefore, consideration is likely only given when the risk is placed by a trusted retail agent who will do their due diligence in ensuring the accuracy of the supporting documents and terms would likely be subject to a loss control audit.

Understanding the underwriting mindset and addressing any anticipated concerns at the time of submission will ultimately change how that risk is being approached and will increase an agent's likelihood of getting a prompt response from a company or underwriter. This can lead to a quick declination or can justify accepting the risk. The difference between a middling risk that gets held up for a week only to be declined due to an uncertainty in exposure and a written policy is in how it was initially presented to the company.

This article was authored by Liam Hutelmyer, an underwriter with AmWINS Transportation Underwriters and member of the firm's transportation practice.