



# Pricing Commercial Auto Insurance Amidst Driver Shortage

Program underwriter offers risk-management insights for insureds



It's no secret that commercial auto operators and the over-the-road trucking industry are dealing with a driver shortage. While the shortage has been exacerbated by the many impacts of the COVID-19 pandemic, the underlying cause is a laundry list of decades-long issues like an aging workforce; historically low wages; low industry participation by females and tightening of eligibility requirements.

Adding to the challenges that a driver shortage already creates from an operational standpoint are the issues it presents for proper insurance coverage.

Operators are under pressure to hire drivers to keep their fleets running, and with the current driver shortage, many are hiring drivers they wouldn't normally consider, such as 18-year-old drivers straight out of school or experienced drivers with less-than-pristine driver records.

These hiring practices can make it challenging for underwriters to figure out how to insure accounts when the industry-standard requirements have historically been based on age requirements, experience and a clean driving history.

Take for example an operator who hires a 21-year-old driver who has only one year of commercial driving experience. In the past, this hire would have made an underwriter leery and would have unquestionably impacted the pricing for the driver pool.

Now, however, because of the driver shortage, carriers are more willing to make exceptions *if* accounts are generally strong and in good venues, have great loss histories, practice solid risk management and require driver training and/or a comprehensive onboarding program.

## CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

## LEGAL DISCLAIMER

Views expressed here do not constitute legal advice. The information contained herein is for general guidance of matter only and not for the purpose of providing legal advice. Discussion of insurance policy language is descriptive only. Every policy has different policy language. Coverage afforded under any insurance policy issued is subject to individual policy terms and conditions. Please refer to your policy for the actual language.

*Courtesy of Amwins Group, Inc.*

## How Training and Risk Management Practices Help with Rates

Over the past few years, as the driver shortage has intensified, operators have implemented various strategies to address staffing issues. Some have built out robust driver training and oversight programs to help younger and less experienced drivers through their learning phase. Others have a probationary period where new drivers are supervised by a more experienced colleague until they've gained enough credibility to drive on their own.

These training efforts are designed to not only populate the driver pool, but also do it in a way that minimizes risk on the road—a key practice that helps reduce overall risk exposures for commercial auto operators and helps keep insurance premiums stable.

The efforts to minimize risks, however, don't stop with training and mentoring inexperienced drivers. Many operators are also implementing telematics to encourage safer driving among the whole fleet.

Telematics allow companies to gather data about vehicle location, driver behavior, and real-time engine diagnostics. Operators use these telematics solutions, and other technologies like in-cab cameras and GPS tracking, to proactively monitor their drivers.

If there are any bad behaviors exhibited in the data captured, the operators can take corrective action as soon as possible, and use that data as a teaching opportunity to get drivers back to higher standards from a safety perspective.

Insurance carriers are encouraging fleet operators to engage with telematics, especially if they've had to take on more risk to stay operational amidst the driver shortage. In some cases, insurers may require telematics before they will renew a policy or quote new business.

Telematics have been particularly important in cases where a driver might have a history of distracted driving. Underwriters want to make sure insureds have strict policies in place that say their drivers will not have their cell phones out while operating a vehicle or the drivers risk termination. Telematics help ensure such a policy is monitored with proper follow-through.



## Impact of Litigation on Insurance Prices

Increasingly in disputed claims, plaintiff attorneys are attempting to portray commercial fleet operators as negligent. Not only are attorneys citing distracted driving as an issue, but they are also focusing on vehicle maintenance, driver data, and any information collected by the Central Analysis Bureau (CAB) which turns data from the Federal Motor Carrier Safety Administration (FMCSA) into actionable intelligence.

For example, there was a claim recently where the plaintiff's attorney focused on one vehicle inspection (with one violation) to paint the entire account as being a terrible operator when, from an industry standard perspective, the account's safety record was better than average.

The jury decisions on damages in these cases have resulted in a significant uptick in the frequency and severity of commercial auto claims, which in turn, has impacted the longevity of many insurance programs for wheels-based accounts. When writing policies, underwriters need to not only consider an account's specific risk exposures, but also how those types of exposures have been addressed in the courts.







## Takeaway

As the transportation industry works to solve the driver shortage by attracting the next generation of drivers, individual commercial auto operators need to evaluate their specific risk exposures related to new staffing practices and create a strategy to manage those risks, including insurance coverage.

To get the best rates on insurance coverage, retailers should work with their insureds to present underwriting submissions that not only address training for inexperienced drivers, but also include data tracking and reporting technologies that show due diligence in safety operations.

For more information on pricing trends in the transportation industry, see [our Q1 2022 Pricing Guidance](#).

### About the Author

This article was written by Matt Andrews, associate managing director at Amwins Program Underwriters in Camp Hill, PA. Matt leads the APU's [Waste Haulers program](#), one of the last-remaining national programs offering comprehensive coverage for non-hazardous waste transportation clients.