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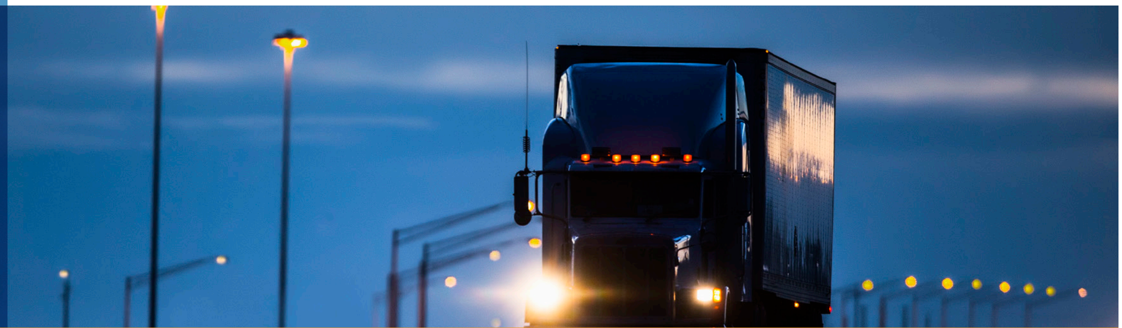

CAB USAGE IN UNDERWRITING TRUCKERS

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). This article offers 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 show that a VIN is being used before, during or after the motor carrier's use by another entity?

First, it's important to understand what the three descriptors mean:

- **Prior to** – The unit was inspected before the applicant's first recorded usage. This is the typical process.
- **During** – The unit was inspected during the same time period as the applicant's usage. This is the most concerning descriptor.
- **Subsequent to** – The unit inspected after the applicant's last recorded usage.

If an inspection is categorized as "During", it raises concern that a motor carrier may be operating under multiple authorities and interchanging equipment.

Most owner-operators have a permanent lease when working under a motor carrier, but some owner-operators either have their own authority or only have a part-time lease agreement. In these instances, inspections may show up as "during."

If an inspection is categorized as "Subsequent to", it could be because an owner-operator has de-leased or the applicant has sold the equipment. In this situation, the underwriter may want to ask for appropriate documentation.

Remember, any inspections that an insured believes are not theirs can be challenged using FMCSA's DataQs System.

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CONTACT

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

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ABOUT THE AUTHORS

This article was authored by Kayley Dana, Quentin Fox, Lizbeth Cuatecontzi and Christian Senecal of AmWINS Transportation Underwriters. To learn more, visit amwins.com/atu.

ON YOUR TEAM.

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If an owner-operator is hauling for the motor carrier under the motor carrier's authority, is the inspection data going to be reflected on the motor carrier'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 will only appear under the DOT number that the driver is operating under at the time of inspection (CAB, SMS), though driver records are maintained in separate, not publicly accessible, databases (PSP, Clearinghouse). Presently, driver information is only available to individual drivers and their potential employers.

While not part of the CAB suite of tools, the PSP tool helps screen potential new hires by providing the data needed to hire safe drivers. This program assists on a pre-employment level by reviewing violations and inspections, which an employer can review alongside the driver's MVR. The Clearinghouse is an online database, available as of January 2020, that provides employers, the FMCSA, state law enforcement, and state driver licensing agencies information about commercial drivers' drug and alcohol violations. This was created to assist employers in identifying drivers who have committed any drug or alcohol violations while working for one employer but fail to inform another employer. Clearinghouse is not available to underwriters, but it does impact the risk-evaluation process in a positive way by encouraging the insureds to improve their hiring process and enhancing the safety of our roads.

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?

First, it's important to pay attention to the date on the MCS-150, as insureds are only required to update the form every two years and, as such, the reported information may be outdated.

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 MCS-150 filings, etc.) lists their phone number and address, rather than the motor carrier's, with the FMCSA. In these instances it is not uncommon to see several dozen to hundreds of entities sharing the same phone number, fax number or mailing address. When this is the case, there is little additional exposure being presented and an underwriter may 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 look at risk information like e-mail address, loss-control contact or even names of companies. Additional resources include the Secretary of State website and Quick Transport Solutions.

If there are entities that share a phone number or address, it is the underwriter's responsibility to seek out additional information. It is crucial to review for any insuring history; is it truly a new venture? Does it have Freight Forwarding authority? What are the CAB alerts? The underwriter should consider reaching out to the motor carrier's agent, as well as pull additional reports from SAFER and VITAL to cross-reference.

If a shared relationship is likely, then an underwriter should 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 unintended/unknown exposure.

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Actions to take if the derived unit count on CAB is higher or lower than what is present on an application/SAFER

When trying to determine how many vehicles a motor carrier is actively using, CAB is a useful tool to better understand this exposure. The derived unit count on CAB comes from the last 24 months of inspections from weigh stations, roadside inspections and traffic stops. As this count is contingent upon an inspection taking place, and as an application may only state the current vehicle count, there may be discrepancies between these sources. Identifying any discrepancies, and understanding whether this presents a material difference in exposure, is integral to underwriting a risk:

Higher units than on the policy or application could be caused by:

- The insured carrying broker authority
  - Reviewing the CAB for current and previous authority can help identify this exposure
- Trip leasing by the insured
  - This could mean using drivers for a specific run. Clarifying this exposure is key, as some carriers are not comfortable covering
- High turnover of owner-operators
  - This is often seen with seasonal operations, like farming, milk hauling and elevated-temperature asphalt
- Vehicle loss frequency in last 24 months
- Downsizing of risk
- Upgrade or change of equipment
  - Checking inspected vehicle VINs against the policy or the application VINs can help identify new units
- Unspecified, undocumented or shared equipment
  - If on a scheduled policy, all units should be on the policy or have documentation to show being on policy at the time of inspection
  - CAB now shows connections to other companies with similar information. Verifying any interchange between sister companies can help underwrite extra exposures for the insured

Lower units than on the policy or application could be caused by:

- Recent growth of risk
  - Gathering documents and information that explain the growth can help to qualify or underwrite risks
- Recent addition of new vehicles
  - Vehicles have been added for coverage but have not been inspected through the various avenues listed above
- Spare units not being driven
  - Companies often have backup units available for use when primary vehicles are down for service. Since spare units tend to be converted older units, it's important to clarify in order to understand full exposures

The disparity between presented policy units and derived units may be grounds for declination, but it is not always an automatic decline. Proper correspondence and documents (bill of sales, notices of sales, leasing agreements, etc.) can help qualify and underwrite risks that may appear precarious on the surface, as can checking the MCS-150 to ensure the exposure is up to date. Deeper investigation into these disparities is often key to fully underwriting a risk.

Presenting full submissions with all necessary documents (loss runs, driver MVRs, IFTAs where applicable, carrier applications) will often lead to less delay in the underwriting process. Understanding and addressing common underwriting questions or clarifying known concerns prior to underwriter review will often generate quicker response times and greater coverage placement. Knowing the risk in and out, while often difficult or time-consuming, is paramount to placing coverage or qualifying a risk for coverage.