Commercial Insurance Mayhem: How to Stop the Bleeding

How Transportation Companies & Insurance Agents Get Underwriters to Improve Their Risk Profile

A White Paper in Collaboration with
Keystone & Foley

Spring 2024

The Hard Truth About This Hard Market

Whether you're a fleet owner, safety manager, or commercial insurance agent, you already know we're in a hard insurance market.

Premiums are skyrocketing due to social inflation, extreme weather events, and even parts shortages. Insurance coverage is dwindling or becoming non-existent, and there's no sign of the marketplace softening any time soon.

Timothy Weaverling, a partner and commercial account executive with Reed, Wertz & Roadman (RWR) in Pennsylvania, says he's been seeing double-digit increases in premiums for his school bus transportation clients.

He also acknowledges that price hikes can affect even good accounts. "We just got one on a very good account—20 percent," Weaverling says. "That's a hundred-thousand-dollar increase to this account. The lowest I've seen in the last six months is nine percent."

Stories like these are enough to make anyone's head spin, let alone someone tasked with managing fleets of commercial trucks—or those tasked with insuring them.

What's a carrier or insurance agent to do?

No, you can't control Mother Nature or inflation. However, there is a specific action you can take that will help you negotiate more reasonable insurance premiums—and possibly even lower them.

The solution involves using hard data to demonstrate to underwriters exactly how you're actively improving your risk profile. Because that's ultimately what underwriters care about. How big of a risk are you? The bigger the risk, the bigger the premium. And in this case, bigger often means "astronomical."

Let's dive into this solution and how it might work for you.

Below, we'll discuss the following:

- How we got to this point and what it means for the underwriting process
- The key to improving a carrier's risk profile
- Why this strategy has become essential to the underwriting process
- Foley's CSA Monitor—what you need to know
- The next steps in getting the hard data underwriters crave

How We Got Here & What It Means for Underwriting

According to the Insurance Information Institute, the culmination of social inflation has led to a $30 billion surge in commercial auto claim costs since 2012 .

[1] Insurance Information Institute press release: https://www.iii.org/press-release/social-inflation-contributed-to-30b-increase-in-commercial-auto-costs-paper-finds-030623

Social inflation refers to the excessive rise in commercial insurers' costs due to "nuclear verdicts," which are hefty jury awards that often start at a million dollars and grow exponentially. Social inflation outpaces general economic inflation.

All carriers feel the burden of social inflation through higher premiums. Aaron Black, Director of Business Development for Keystone Insurers Group, says, "Carriers are coming to us as they are seeing a 25 to 30 percent increase in commercial insurance premiums across the board."

Carriers deemed especially risky—in other words, those with poor Compliance, Safety, and Accountability (CSA) scores—will see an even bigger increase in their premiums since underwriters are scrutinizing carriers' safety and compliance even more carefully.

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Black states, "Underwriters are looking at risk much more closely than they did in the past."

And what they look at matters, too.

Not all data tells a complete story.

Most underwriters use CSA data to guide their decisions. The problem? If the carrier has implemented specific risk mitigation protocols to lower their high safety scores and improve their risk profiles, the results of these efforts won't necessarily be reflected in the report.

Ryan Smith, president of Kingsgate Insurance in Iowa, summarizes the underwriting process: "They'll pull that report, and they'll get back to you and maybe issue a decision before you even get them an ounce of actual specific information about the insured. They'll just base their decision solely on what they find in the CSA report."

Refuting CSA data at that point—or offering explanations without tangible evidence—will be a hard sell. It's up to the carrier and the agent to be proactive by providing underwriters with the complete story before the underwriting process begins.

Smith adds, "They're going to want hard data to say, 'OK, we know if you've got a distracted driving problem that you're addressing it right when it happens.' Or, 'You know, we want to know when we got a driver that picks up a DUI that we know right away if he doesn't disclose it to you that we're not waiting till renewal and that we run a motor vehicle report and find out at that time.'"

However, unless the carrier and agent can show the underwriter that their risk mitigation protocols are working (using hard data to back up their claims), the stand-alone CSA scores will become the default. This means the underwriter won't always get the whole story, which could result in unnecessarily hefty premiums.

Smith notes, "Underwriters want to see an extended period of time of you performing without losses or negligible losses before they really discount some of that past loss history. And the problem is that everybody's seen your account every year for the last several years. And so all those warts that were on there . . . they're going to stay there for quite some time. So you've got to be able to present something that is tangible, that they can look at and say, 'OK, yeah, the changes they've implemented—they're actually having effects.'"

Underwriters are understandably conservative and cautious—even more so in a hard market.

If a carrier hopes to secure a flat premium, nominal increase, or even a lower premium, the carrier and agent must go the extra mile and provide the underwriter with as much information and tangible evidence as possible. Otherwise, the underwriter has no choice but to rely on whatever is in FMCSA data.

Tim Weaverling from RWR explains his experience with the underwriting process: "The first thing they're going to do is pull a CSA score report, and if there's a red light, they're either going to decline it, or they're going to just dig. They're not going to dig very deep unless the agent who submitted it or the group who submitted it gave some detail. **We try to go in with a claims analysis, a driver profile, and as much information as we can on why those scores look good or bad, and just to get them to the table.** And once you get them to the table, then you got to negotiate where to go from there."

But to negotiate, you must have something to negotiate with—ideally, hard evidence that the carrier has taken its risk mitigation responsibilities seriously.

What you do behind the scenes to lower your CSA score, build a safety culture, and quantify these efforts to underwriters is critical.

Why Improving Your Risk Profile is Critical & How It Starts with Actively Monitoring Your CSA Score

Michael Kuiros, Director of DOT & Fleet Services and Risk Management for Keystone, says, "A lot of things are left out of your control. The things that are left in your control would be your CSA score."

Your company's CSA score can influence your insurance premiums—for better or worse. This score represents how well you've maintained roadway safety, compliance with DOT regulations, and avoiding crashes. Scores range from 0 to 100, with higher numbers showing an increased risk level due to accidents, DOT violations, failed roadside DOT inspections, or a combination of these factors.

Kuiros notes that what you do behind the scenes to lower your CSA score, build a safety culture, and quantify these efforts to underwriters is critical.

"This is a big section of what an underwriter would be looking at when they are underwriting your company as far as taking you on as a risk," Kuiros says.

But here's the thing: If you have hundreds or thousands of drivers, how do actively address driver issues that are adversely affecting your all-important CSA score?

This has been an ongoing challenge plaguing carriers and insurance agents—at least, up until now.

Technology innovation provides a crucial link.

The technology now exists so that fleet owners and safety managers can better monitor driver behavior and CSA scores, effectively shifting from a reactive environment to a much more proactive one—precisely the type of safety environment underwriters want to see.

Remember, underwriters are looking for tangible evidence, not lip service, that your organization embraces a culture of safety. Think things like . . .

- Installing telematics, like cameras inside the cab, so that driver behavior can be monitored (Underwriters can assign a number/score to that.)
- Monitoring the "results" of poor driving, poor maintenance, or poor paperwork—violations, tickets, accidents, and other incidents that can adversely affect your risk profile

But let's talk about the concept of "monitoring" for a moment.

Remember, an issue with a driver can happen at any time. Even if your version of "monitoring" is looking at your CSA or MVR driver data every quarter or 180 days before your insurance review, something could happen tomorrow or next week that you won't know about and can't address. It's this lack of awareness that can sour underwriters and adversely affect your premiums.

Scott Mogensen, Head of Solutions Enablement at Foley, says, "It's not a matter of looking at a report every now and again, it's not a matter of periodically looking at your CSA scores, but actually having a process with rigor that's digital that allows a safety manager to be empowered to see what's going on and react to situations that are brought to them through daily alerts."

Mogensen says Foley has developed a CSA monitoring solution that provides the reliable, automated intelligence that safety managers need to monitor issues and actively lower their risk profiles.

Monitoring Success, In Action

The FMCSA uses seven Behavior Analysis and Safety Improvement Categories (BASICs) to determine a motor carrier's safety performance compared to other carriers. Performance matters since it contributes to a carrier's CSA score, which can, in turn, significantly influence insurance premiums.

We looked at 13 transportation companies who use Foley's platform and monitoring and compared their BASICs to the BASICs of 13 transportation who don't use Foley's solution.

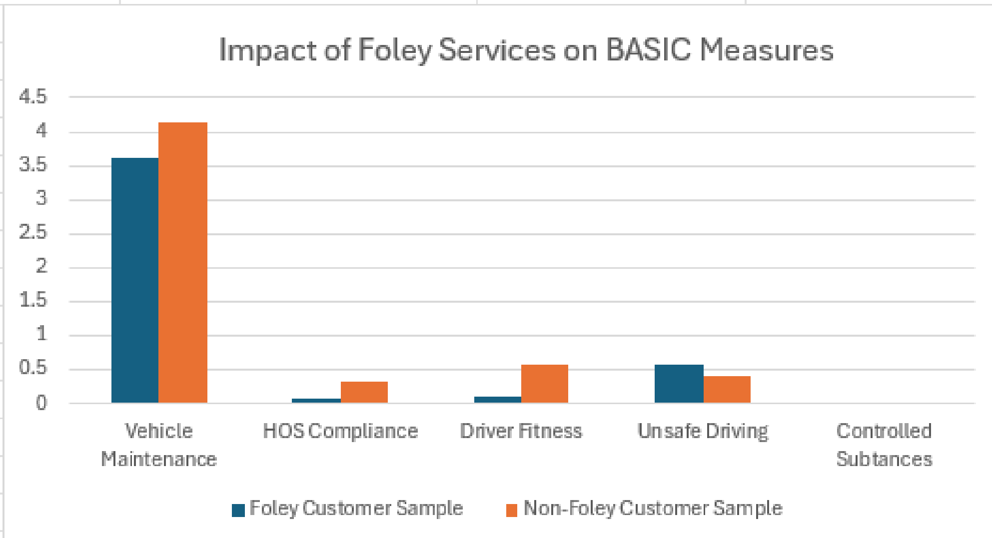
Transportation companies who use Foley's solution had lower scores in four out of five categories.

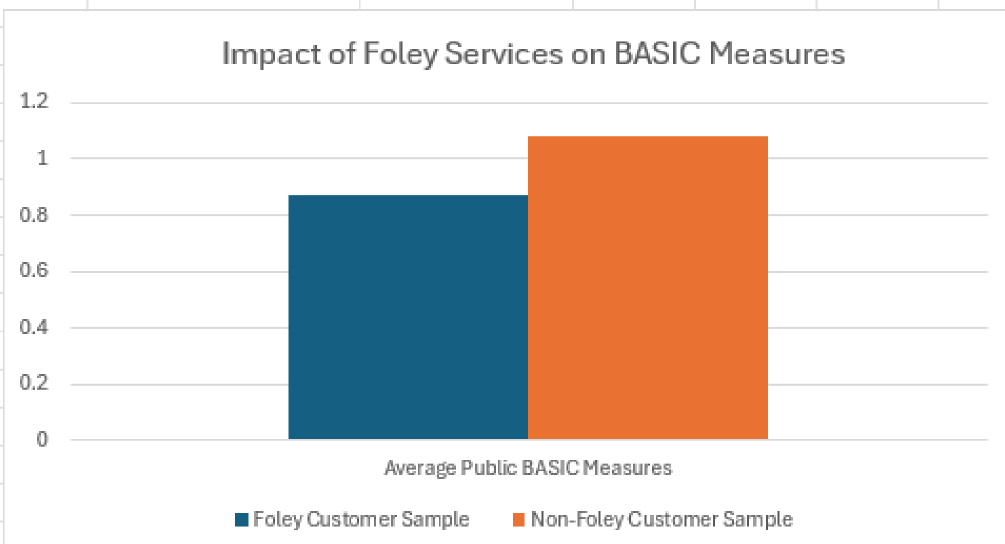
What could hard data like this mean for the underwriting process?

The transportation companies who use Foley's solution have tangible data they can share with their underwriters—data that highlights ongoing efforts to improve their risk profile and how those efforts are paying off.

When analyzing the impact of Foley Services on a comparable sample size of fleets, those companies partnered with Foley for programs saw a reduction in CSA scores for four out of five CSA BASIC categories. Those sample companies not using Foley demonstrated higher CSA scores in every area other than Unsafe Driving. Showcasing a lowered fleet risk profile ahead of insurance underwriting can help to keep premiums manageable and help companies avoid large rate jumps due to safety concerns.

The Foley programs analyzed included background checks, MVR monitoring, drug and alcohol testing, DOT Clearinghouse, and DOT physical management.





Sample companies represented industries including Energy, Utilities, Waste, Construction, Transportation, Retail, Manufacturing, and Consumer Services.

Not all Foley sample customers use all listed programs.

Joel Sitak, CEO of Foley Services, says this sort of hard data will benefit insurance agents who negotiate with underwriters on behalf of their clients. He explains, "The agent can really show the underwriter that their client is serious about reducing risk."

Sitak adds that it is critical to have access to this data the minute it registers with the FMCSA, which is how Foley's CSA Monitor works.

"It's getting access to that data faster so that you can take action on it before it becomes a problem in the underwriting process," Sitak says. "And by getting ahead of that, your underwriters are going to look favorably upon that situation."

These proactive measures can yield meaningful cost benefits, according to Sitak. He explains, "So you'll ultimately get a lower premium or not have premiums go up as high as they might in other circumstances because we can prove that we're going to monitor drivers, and we're going to take action on drivers when bad things happen."

Tim Tracey, a Compliance Consultant with Foley, echoes Sitak's sentiments. "It's crucial for transportation carriers to have a good handle on the same data that's impacting their risk from an insurance point of view."

Foley's CSA Monitor: What You Need to Know

Foley's CSA Monitor sends a daily email alerting you to issues with your company's CSA score in real time so you can address them immediately.

Foley's CSA Monitor offers many key benefits:

- Get alerted quickly. When a CSA infraction registers with the FMCSA, you'll get notified ASAP, not six months later when you are negotiating with underwriters and you look like you're not on top of things.

- Fix mistakes sooner. Incorrect reporting does happen. Daily emails can alert you of mistakes and allow you to dispute errors before they get to the underwriter and affect your premiums. For example, you can address no-fault accidents much faster so they don't impact scores.

- Foster a culture of safety. Monitored drivers behave better, full stop. Sitak says, "When employees know they're being monitored, they behave better. For example, if you have a random drug testing program, the statistics show that commercial drivers have a lower positive test rate than non-drivers because they know they're going to be randomly tested, so they act better."

- Have critical evidence to use when negotiating with underwriters. Now, you can prove to underwriters that you're always working on reducing risk and addressing issues quickly—and have the data to back up those claims.

Bottom Line: Hard Data Drives Decisions in Hard Markets

Remember, underwriting is a storytelling process. With the right data, carriers and agents can tell a complete story that can give the underwriter confidence in the carrier, resulting in better premiums that reflect this confidence.

If you'd like to learn more about using hard data to improve your risk profile, contact your Keystone agent or Foley directly.

About Keystone Insurers Group
Keystone started in 1983 when four independent insurance agencies teamed up to pool their experience and expertise. Determined and scrappy in the face of a difficult market, this small group believed that agencies could be stronger and more successful if they linked arms. Today, that passion and spirit that started Keystone continues. Growing to over 300 independent agency partners, Keystone provides its agents with a community of like-minded agencies, industry expertise, and access to specialized products for their clients. Keystone is ranked third on Insurance Journal's 2023 list of Top 20 Privately-Held Property/Casualty Agency Partnerships. Visit www.keystoneinsgrp.com to learn more.

About Foley Services
At Foley Services, we understand the complexities of modern business operations. With a foundation in transportation compliance, our expertise has expanded to cater to various high-risk industries, ensuring safety, efficiency, and peace of mind. Specializing in hiring, screening, data monitoring, and DOT compliance, our automated platform is trusted by over 50,000 customers to streamline operations and ensure regulatory compliance. Let Foley be your guide to a more efficient and secure business future. Visit foleyservices.com to learn more.

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