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How Can Transportation Firms React to the Soaring Insurance Rates?

DUE DILIGENCE , TAX, TRANSPORTATION & LOGISTICS
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The transportation industry is looking for new ways to control costs in the wake of dramatic increases in their excess liability insurance coverage. Since the second quarter of 2015, and throughout 2016, the rates have increased by double or triple digits and capacity to buy coverage has been reduced. Much of this increase can be traced back to higher lawsuit damage verdicts and increased healthcare costs.

Although there has been a drop in preventable accidents in recent years, the damages awarded in lawsuits have increased to as high as $40 million, with some plaintiffs requesting more than $100 million in damages. In 2016, people are more likely to survive accidents, but with critical injuries that require lifelong treatment while the costs of these treatments have significantly increased over recent years. In response to these factors, American International Group and Zurich Insurance Group, two of the largest international insurance companies with more than $850 billion in total assets, determined that the risks in the excess liability market outweigh the rewards and have therefore decided to leave the market.

So how should transportation firms react to these new realities in the insurance markets? Firms will need to begin the insurance renewal process earlier, and they should expect a higher level of underwriting due diligence. The insurance carriers will closely review the firms' driver screening and recruitment policies and procedures as well as their safety record and driver training. The firm's claims management and the use of new safety technology will also factor into the increased underwriting scrutiny. Transportation firms may also need to look to multiple insurance carriers to provide the needed excess liability coverage.

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