



Roundtable on Commercial Insurance for the Canadian Trucking Sector

This roundtable, held virtually on October 20, 2020, focused on the commercial insurance challenges facing the Canadian trucking sector. The roundtable was part of an ongoing discussion that began several years ago among insurers, brokers and the trucking industry about issues of insurance availability and affordability in the sector. IBC, in partnership with the Canadian Trucking Alliance (CTA), spearheaded this engagement. Continuing this dialogue is vital, especially now that the commercial trucking sector faces huge challenges as a result of COVID-19.

Participants included representatives of the CTA and their member associations. Participants from the sector shared their broad concerns about increasing insurance costs. They also focused specifically on the challenges that young or new drivers face in obtaining insurance, particularly before they have acquired a sufficient amount of training and experience to demonstrate a good driving record. This problem is occurring at the same time as the trucking sector is experiencing a shortage of drivers, with remaining drivers left overworked and stressed, putting them at greater risk of collisions.

Participants also expressed concerns about the lack of availability of insurance in the excess liability or “umbrella” market. In this market, some insurers provide additional coverage at higher limits, thereby offering a trucking client further layers of liability protection. For instance, one insurer might provide coverage to a maximum of \$2 million, a second insurer provides coverage from \$2 million to \$10 million and a third insurer provides coverage from \$10 million to the final maximum. Recent large liability settlements in the U.S. have driven insurers’ claims costs higher and incidents like the Humboldt tragedy in Canada have led some private insurers to re-evaluate their underwriting decisions in this sector.

Finally, participants from the trucking sector raised the issue of insurers offering discounts or incentives to trucking companies that install vehicle safety technology, such as collision avoidance technology.

Participants from the commercial insurance industry explained how increasing claims costs have affected the price of insurance. Over the last five years, insurers have paid out more in claims, expenses and premium taxes for trucks insured than they have earned in premiums on a per vehicle basis (e.g. owner-operated trucks).

Insurers analyze sector trends using rate of losses compared to premiums earned. This can be done by examining how much insurers paid out on average in claims, operating expenses and premium taxes for every dollar earned in premium. Between 2015 and 2019, in the trucking sector, commercial insurers

paid out \$1.04, \$1.12 and \$1.06 in Ontario, Alberta and Atlantic Canada, respectively, for every \$1.00 earned in premiums on a per vehicle basis¹¹.

In some years, the losses were much higher, with insurers paying more than \$1.25. Losses exceeding premiums for a consecutive number of years is unsustainable. These unsustainable losses have led to necessary premium increases.

Trucking consumers and sector representatives were encouraged to work closely with their insurance representative to improve driver safety to mitigate and reduce risk. On the issue of vehicle safety technology, insurers observed that it was not yet widely used in Canada and insurers may not yet have enough claims data to justify offering premium discounts for such technology.

The insurer Task Force participants also encouraged these consumers to inform their insurance representative whether and how their business operations had changed as a result of COVID-19. For example, an increased need for the transport of certain materials across the country to help in the protection against COVID-19 (i.e., personal protective equipment) and decreased need for the transport of other materials has led to some operational changes within this sector. The transport of different cargo, the number of hours a vehicle was on the road and in use, and changes regarding the distance these trucks were travelling could all have a bearing on the type and cost of their insurance coverage.

All participants agreed that the insurance needs of the trucking sector are complex and specialized, requiring more education for both insurers and trucking carriers to close a knowledge gap.

Issues continue to emerge related to trucking. IBC and its members have struck a trucking working group to explore these issues and are committed to working with the sector on potential recommendations.

Trucking Sector Recommendations

The insurance industry should consider the following reforms:

- The insurance industry should consider further incentives for Canadian fleets that deploy safety technology; it should also share more information with commercial trucking stakeholders on the factors considered in determining their insurance coverage.
- IBC and CTA should continue discussing how to reduce fraud in the trucking sector. The Facility Association (FA), which is a non-profit insurance association that makes auto insurance available to those turned down by the private sector, carried out a study of recent closed claims in its commercial trucking book of business. It found that a number of those claims included fraud, particularly trucking firms declaring that they operated in one province but were actually based in another. FA also saw a large decrease in its Ontario market share and a large increase in market share elsewhere. FA determined that some trucking insurance consumers were

¹¹ IBC analysis based on industry data from the General Insurance Statistical Agency (GISA).

fraudulently declaring head offices in Atlantic Canada to achieve lower premiums. As a result, FA has tightened up its documentation requirements across Canada to be in line with private insurers. IBC and CTA should support FA as it implements its new standardized documentation requirements for the trucking sector across all provinces.

- Insurers should share information on their current insurance rating systems with individual trucking carriers, including information on how the carrier's performance contributes to its premium costs.
- IBC and CTA should host a focus group of CTA carriers and IBC representatives to review the challenges of insuring young drivers, and look for training programs and any minimal training standards that could help increase the insurability of these drivers.

Provincial governments should consider the following reforms:

- It has been noted that at the time of policy renewals, insurers may be provided with fraudulent or unverified information regarding insurance policies. Provincial governments should implement a database to verify the validity of a carrier's insurance when issuing or renewing plates, and advocate for all jurisdictions to carry out this validity check at renewal and in real time. IBC members have advocated for a government database to verify trucking insurance information. IBC and CTA will determine which jurisdictions do not check the validity of a carrier's insurance when issuing or renewing plates to help support government advocacy efforts and promote the value of a government database.

Consumers should consider the following to help manage their risk profile and insurance costs:

- IBC and CTA should create educational materials to inform CTA members on insurance issues, including risk management and factors that affect insurance policy pricing.

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