

# Mitigating Commercial Auto Loss

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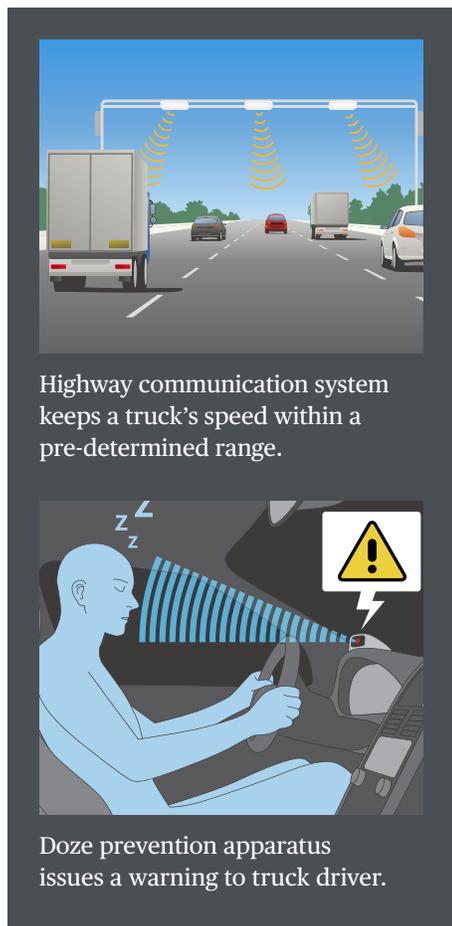


In recent years, trucking and others in the over-the-road commercial auto industry have been faced with significant rate increases and a reduction in the availability or capacity for insurance. Marked increases in claims frequency and severity – in addition to the frequency of severe claims and their associated costs – have driven commercial auto insurers to take these measures, as the cost of these claims have simply been greater than what insurers have been charging to cover these risks for the past decade.

These results are fueled by a host of factors, including but not limited to the acute shortage of qualified drivers and the current legal climate.

In an effort to address these challenges, the commercial auto industry can institute a series of proactive measures aimed at two specific areas:

- The industry's professional drivers and the equipment they operate
- Risk management strategies and the insurance architecture they employ



Highway communication system keeps a truck's speed within a pre-determined range.

Doze prevention apparatus issues a warning to truck driver.

### Proactive Measures: Drivers & Trucks

Drivers and trucks are key to the proactive strategies focused on reducing the rate of accidents and their resultant loss costs. Here are five strategies to help mitigate risks:

**Hiring Good Drivers** – The majority of claims resulting from trucking accidents are caused by a small number of drivers.



Hiring experienced professional drivers and compensating them appropriately is critical.

Best practices can include employing background checks, mandating probation periods for new hires, and using Telematics (cameras and driver-to-company telecommunications systems installed in truck cabs) to monitor driving behavior. A proposed solution for the industry-wide shortage of qualified drivers could be to combine the training and teaming of new or less-experienced drivers with veteran drivers for a probationary period and the development of an apprenticeship program to attract new entrants out of high school and those looking to change careers to the driving industry.

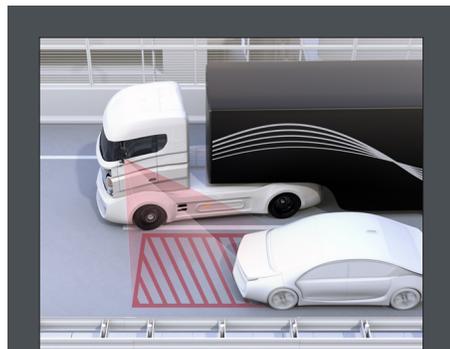
### Driver Training Programs –

Another strategy to increase the pool of experienced drivers is to provide training programs to upgrade driving skills by using data from Telematics. To be effective, training can be mandatory, ongoing, and integrated into drivers' contracts with the company. Drivers can be proactively trained in safe driving methods that reduce the frequency of the most serious and costly auto accidents, including intersectional, rear end, and head on collisions, as well as pedestrian and cyclist accidents.



With training and education, companies can develop a safer driver from day one.

**Driver Assist Systems** – Technology has advanced in the past decade, making it possible for systems installed in trucks to anticipate dangers and potentially course-correct to prevent an accident. There is now a full range of technologies that can monitor driver behavior and take action to mitigate or avoid an accident. These can include mechanisms that apply the brakes independent of the driver, stabilize a truck and prevent it from rolling over, and keep a truck's speed within a predetermined range. There are also technologies that help avoid a front collision, issue lane departure warnings, and monitor the driver's eyelids for signs of drowsiness and issue a warning if it is detected.



Truck's side view assist system avoids car accident when changing lane.



Truck's automatic braking system avoids crash from car accident.

**Telematics** – Telematics, when employed by commercial fleets, typically monitor driver behavior through the use of GPS technology and on-board diagnostics, including truck cab-installed cameras. This technology also allows company managers and safety professionals to communicate with drivers while out on the road. GPS technology can be used to track routes and speed to ensure that drivers do not deviate from the mandated course. Telematics also provides data and video, should an accident or a near mishap occur, discouraging distracting behaviors such as talking on the phone or texting while driving.

 Drivers should be reactively trained on safe driving methods with coaching from telematics and video information.

**Actively Enforced Policies & Procedures** – Companies should develop clear behavioral policies for their drivers and communicate those policies regularly. The company's procedures that apply should a driver ignore or transgress their policies should also be clear and regularly communicated and must not be deviated from – *be consistently consistent*. Communication and enforcement are crucial to obtaining compliance from drivers. "Not knowing" would not be a valid excuse for behavior that goes against company policy.

### **Proactive Measures: Risk Management & Insurance Architecture**

**Loss Control Initiatives** – Driver error or distraction, when combined with trucks weighing as much as 40 tons, offer many opportunities for accidents leading to property damage, bodily injury, and loss of life.

 Companies would do well to identify those areas where the potential for incidents exists and engage Risk Control Professionals for assistance.

Something as simple as underinflated truck tires could cause an accident. An overloaded truck or a truck with an unbalanced load could do the same. Faulty brakes are, of course, extremely dangerous. Every auto accident should be reviewed to determine whether "safe driving methods" were used by the driver. Was there failure in the proactive training of the "safe driving methods" or the reactive coaching of the unsafe driver behaviors revealed by the telematic or camera data? The risk control consultant can assist with analyzing this data and developing additional training or changes to in-force processes.



**Strong Claims & Litigation Management** – In today’s legal environment it’s imperative that large commercial trucking companies with significant over-the-road exposure, which also retain significant risk via High Deductible or Self-Insured Retention programs, have a strong claims and litigation management strategy.



This should include an action plan that incorporates all the elements of the claim cycle, from the date of the accident all the way through a potential jury trial.

The action plan should include the following: having a representative immediately respond to an accident and retain evidence at the scene; retaining the appropriate experts and investigative resources; promptly notifying and working closely with insurance carriers; assessing liability at an early stage and, where appropriate, engaging with claimants early on in the claim process to reach a fair, mutually accepted settlement. If a lawsuit is filed, companies should ensure they are appropriately represented by experienced trial attorneys with expertise in the trucking industry and knowledge of the jurisdiction involved. Managing claims proactively and effectively is essential to mitigating a company’s risk.

**Insurance Architecture** – In addition to managing risk, trucking companies with large fleets can manage the cost of insurance by assuming more risk. Some potential options involve the use of deductibles (per occurrence, corridor, or quota-share), captives, or a self-insured retention. More recently, in response to the current climate and the increasing cost of insurance, “structured auto” insurance programs have gained traction through use of significant self-insured retentions and program funding strategies.



An insurance program can be designed to fit each company and its specific risk profile.

**Telematics & Data Management** – Telematics and its associated data capture capabilities can be a boon for trucking companies looking to curtail driver risk. It is therefore important to use that data to institute safety practices.



Risk management dictates that companies handle these technologies in a way that leads to continual improvement.

### **Keep on Trucking**

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With careful planning, the trucking industry can employ pre-emptive measures including hiring qualified drivers, installing Telematic monitoring, having a proactive claims management and litigation strategy, implementing risk management initiatives and having an appropriate insurance architecture that can improve your safety record and reduce accidents.

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