

Munich Re Specialty

## For-Hire Trucking: The Risky Road Ahead

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### Panelists:



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### Executive Summary:

This webinar examined critical challenges and evolving trends in the for-hire trucking insurance sector. The discussion revealed an industry grappling with unprecedented legal pressures, as lawsuit abuse reform reached its highest concern level in two decades and nuclear verdicts drive up insurance costs. This legal environment has prompted significant market changes, exemplified by New Jersey's landmark decision to double minimum insurance requirements to \$1.5M.

Technology emerged as both a solution and transformation driver. The widespread adoption of telematics, cameras, and advanced driver assistance systems is proving crucial for claims defense and risk management. These technological advances arrive as the industry faces a severe workforce crisis, with a current shortage of 60,000 drivers projected to reach 160,000 by 2030.

The insurance market is adapting to these challenges through reduced capacity, adjusted attachment points, and innovative products targeting previously underserved mid-size fleets. Environmental regulations, particularly California's mandate for zero-emission trucks by 2045, signal further transformation ahead. Operational costs have reached \$2.30 per mile, creating additional pressure on carriers and insurers alike.

The webinar highlighted how insurers are responding through technology-based risk assessment, new coverage structures, and risk-sharing approaches. This adaptation reflects an industry actively evolving to address multiple challenges across legal, technological, regulatory, and workforce domains.

## Highlights:



### **01. Lawsuit Concerns at All-Time High for For-Hire Trucking**

The American Transportation Research Institute's annual report highlighted a significant shift in industry concerns, with lawsuit abuse reform reaching unprecedented prominence. While economic issues and parking availability topped the list, legal reform emerged as the third most critical concern, marking its highest ranking in the survey's 20-year history. This elevation reflects growing anxiety about legal exposure in the trucking industry, particularly as insurance availability and costs also climbed significantly in priority. The convergence of these concerns signals a broader industry challenge where legal vulnerability directly impacts operational costs and insurance accessibility.



### **02. New Jersey Sets Precedent with Insurance Requirements for Trucking**

New Jersey's groundbreaking legislation doubling minimum insurance requirements for auto carriers to \$1.5 million represents the first state-level mandate exceeding FMCSA standards. This regulatory shift poses significant implications for the trucking industry, potentially setting a precedent for other states. The increase raises important questions about interstate operations, compliance challenges, and the financial impact on carriers, particularly smaller operations. The change also highlights the growing trend toward higher coverage requirements in response to increasing claim values and legal settlements.



### **03. Nuclear Verdicts Drive Industry-Wide Cost Increases for Trucking**

The trucking industry faces unprecedented cost pressures driven by both traditional inflation and social inflation. Medical costs for routine injuries have increased substantially, with even basic claims like broken bones seeing significant cost escalation. The threat of nuclear verdicts has prompted a defensive response from insurance carriers, leading to reduced capacity and increased rates. This reaction creates a cycle where higher potential payouts drive higher premiums, affecting the entire industry's cost structure. The situation particularly impacts smaller operators who may struggle to absorb these increased costs.



### **04. Technology Proves Critical in Legal Defense for Trucking**

The implementation of camera technology and other monitoring systems has become crucial in managing legal exposure and controlling costs in the trucking industry. In the current legal environment, trucking companies often face the burden of proving their innocence rather than guilt, making video evidence invaluable. This technology serves dual purposes: preventing accidents through real-time monitoring and providing crucial evidence for claims defense. The investment in these systems has become a necessary operational cost, effectively serving as a form of risk management and legal protection.



### **05. For-Hire Trucking Faces a Growing Workforce Crisis**

The industry's workforce challenges continue to deepen, with current shortages of 60,000 drivers projected to escalate to 160,000 by 2030. This shortage represents a critical operational challenge as freight demands increase and the current workforce ages. The situation is compounded by recruitment difficulties, retention challenges, and the industry's struggle to attract younger workers. This workforce crisis has broader implications for operational capacity, safety considerations, and insurance risk assessment, as companies may face pressure to modify hiring standards or increase workloads for existing drivers.

## **06. Long-term Climate Regulations Transform the For-Hire Trucking Industry**

California's mandate for zero-emission trucks by 2045 represents a pivotal shift in environmental regulation for the trucking industry. This legislation serves as a potential model for other states and federal regulations, signaling a fundamental transformation in fleet operations and technology requirements. The mandate creates significant implications for fleet management, operational costs, and infrastructure development. It also presents new considerations for insurers in terms of risk assessment and coverage requirements for emerging technologies.

## **07. Driver Assistance Technology Reshapes Risk Assessment for For-Hire Trucking**

The integration of advanced driver assistance systems and real-time monitoring technologies has transformed risk assessment in the trucking industry. These systems provide comprehensive data on driver behavior, vehicle performance, and operational patterns, enabling more accurate risk evaluation. Insurers can now access detailed information about hours of service, speed patterns, and mechanical issues, allowing for more precise underwriting decisions. This technology-driven approach to risk assessment has become increasingly central to insurance pricing and coverage decisions.

## **08. Innovation in Insurance Products Targets Mid-Size For-Hire Truckers**

Amwins' development of insurance products specifically for mid-size trucking operations (250-500 units) addresses a significant market gap. Traditionally, innovative insurance solutions targeted large fleets with 1,000+ units, leaving medium-sized operators without access to specialized coverage options. The initiative recognizes that these mid-sized operations often face rate increases first but historically lacked the scale to access more sophisticated insurance solutions. This market-specific approach demonstrates a shift in how insurers view and serve the mid-size segment of the industry.