



# **WELCOME TO A SPECIAL “TRUCK STOP” WEBINAR**

**TRUCK STOPS ARE NORMALLY PRESENTED THE SECOND  
THURSDAY OF EACH MONTH AT 2:00 P.M. ET**

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# COVID-19 – A LOOK AT THE EFFECTS ON TRUCKING OPERATIONS AND INSURANCE

**Presented by:**

**James Jaillet**

**CCJ Digital**

**[jjaillett@ccjdigital.com](mailto:jjaillett@ccjdigital.com)**

**Tommy Ruke, CIC, TRS**

**[tommy@mcief.org](mailto:tommy@mcief.org)**

**Scott Lyden, TRS**

**[scott@hadley-lyden.com](mailto:scott@hadley-lyden.com)**



# WHAT WE ARE HEARING ABOUT COVID-19

- “This has never happened before”
- “Nothing has affected people and the economy like this”
- “Will change how businesses operates now and maybe forever”



# CONSIDERATIONS

- Past history has taught businesses and insurers how to deal with business interruption and changes
  - But nothing in the past is like today!



# TRANSPORTATION HEADLINES

- From HDT Truckinginfo
  - 3/17/20
    - “COVID-19 Epidemic is Trucking’s Time to Shine”
  - 4/14/20
    - “Freight Volume, Rates Hit Skids”
- From CCJ Digital
  - 04/13/20
    - “Driver layoffs, on-road quarantines, missing POD’s and fading freight reflect fleets’ new normal under coronavirus”



# TRANSPORTATION HEADLINES CONT.

- From FreightWaves
  - 4/15/20
    - “Good News: The Freight Market Is About to Turn Up”
  - 4/15/20
    - “Petition calls for more targeted relief for truck leases, insurance costs”
  - 4/18/20
    - “Volumes continue to fall, now 14% below year-ago levels”



# TRANSPORTATION HEADLINES CONT.

- From The ATRI Insider
  - 3/20 Report
    - “GPS Data Shows Critical Truck Deliveries Continue Despite COVID-19 Analysis of Data Finds Unprecedented Performance Year-Over-Year”
- From CCJ Digital
  - 4/6/20
    - “Carriers report sinking load volumes as panic-buying subsides”



# TRANSPORTATION HEADLINES CONT.

- From Transport Topics
  - 4/13/20
    - “Spot Rate Market Shows Signs of Stabilizing; Shifting Dynamics Make Projections Difficult”
  - 4/13/20
  - “Recovery Hinges on Spending Habits of Businesses, Consumers, Experts Say”



# DISCUSSION

- James Jaillet, CCJ Digital called on 4/15/20 to ask for information on how trucking insurers are dealing with COVID-19
- At the end of our conversation, I asked if he would assist with a webinar, thus this special Truck Stop
- On 4/16/20 he published the following article that we shared with MCIEF members
  - “Insurers pause policies, halt cancellations for owner-operators who can’t pay premiums due to virus slowdown”



# THOUGHTS FROM JAMES



Driver layoffs, on-road  
quarantines, missing PODs  
and fading freight reflect  
fleets' new normal under  
coronavirus

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# SURVEY DATA – APRIL 20, 2020

**“Had to shut down. Impossible to survive”** – for-hire general freight carrier, 25-50 trucks

**“Who thinks we can survive on \$0.70- \$1.00 a mile on spot rates?”** – for-hire general freight carrier, 10-24 trucks

**“We were blessed to receive a PPP loan, but even that may not get us through the summer if non-essential manufacturers don't start reopening.”** – for-hire general freight carrier, 51-100 trucks



# SURVEY DATA – APRIL 20, 2020

**“Hopefully not decrease anymore. Can not keep a business viable at these rates. Going through savings to keep business going.”**

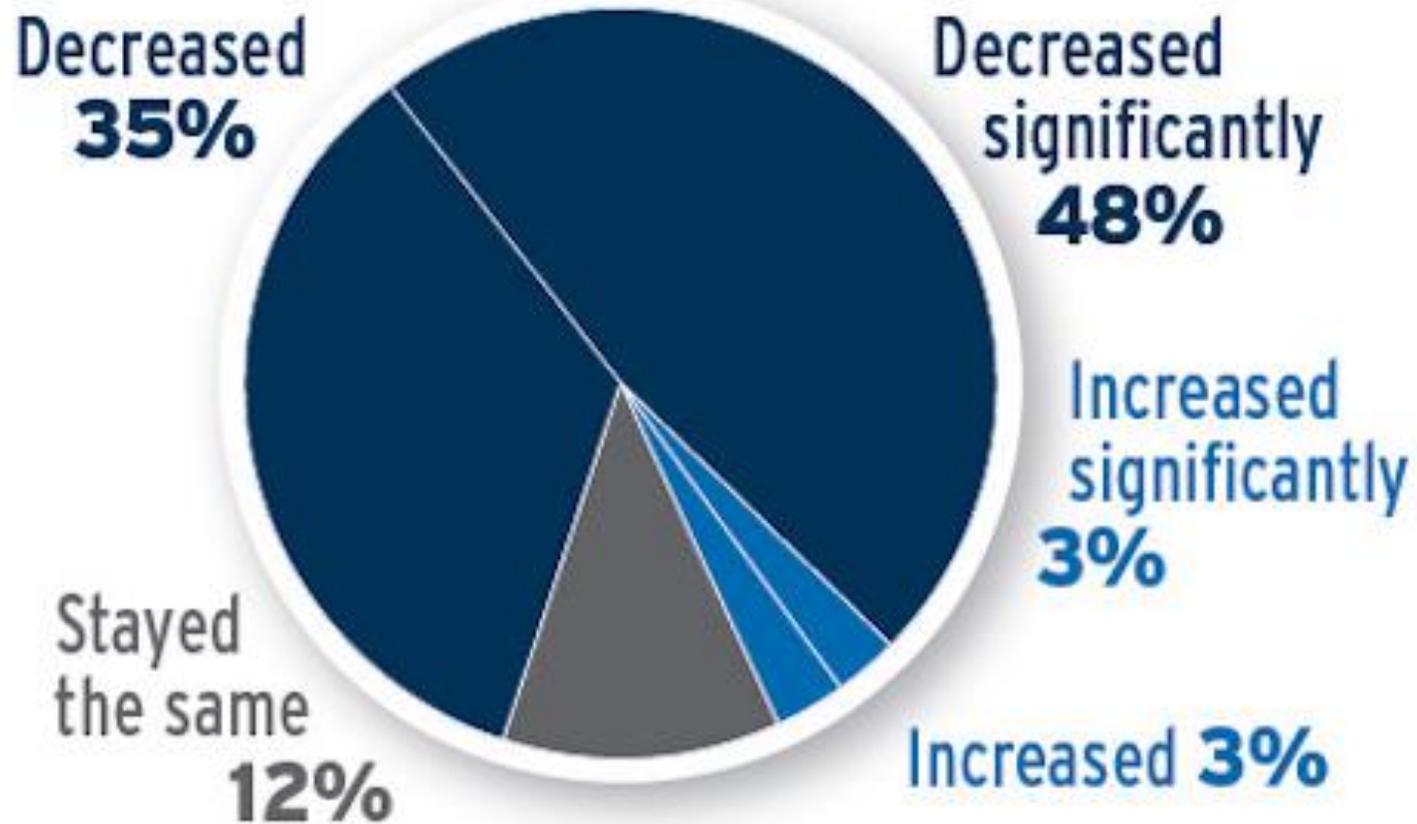
– For-hire general freight carrier, 101-250 trucks

**“I don't see how volume can go any lower, but it might.”**

-- For-hire general freight carrier, 10-24 trucks

# How has the coronavirus affected freight levels?

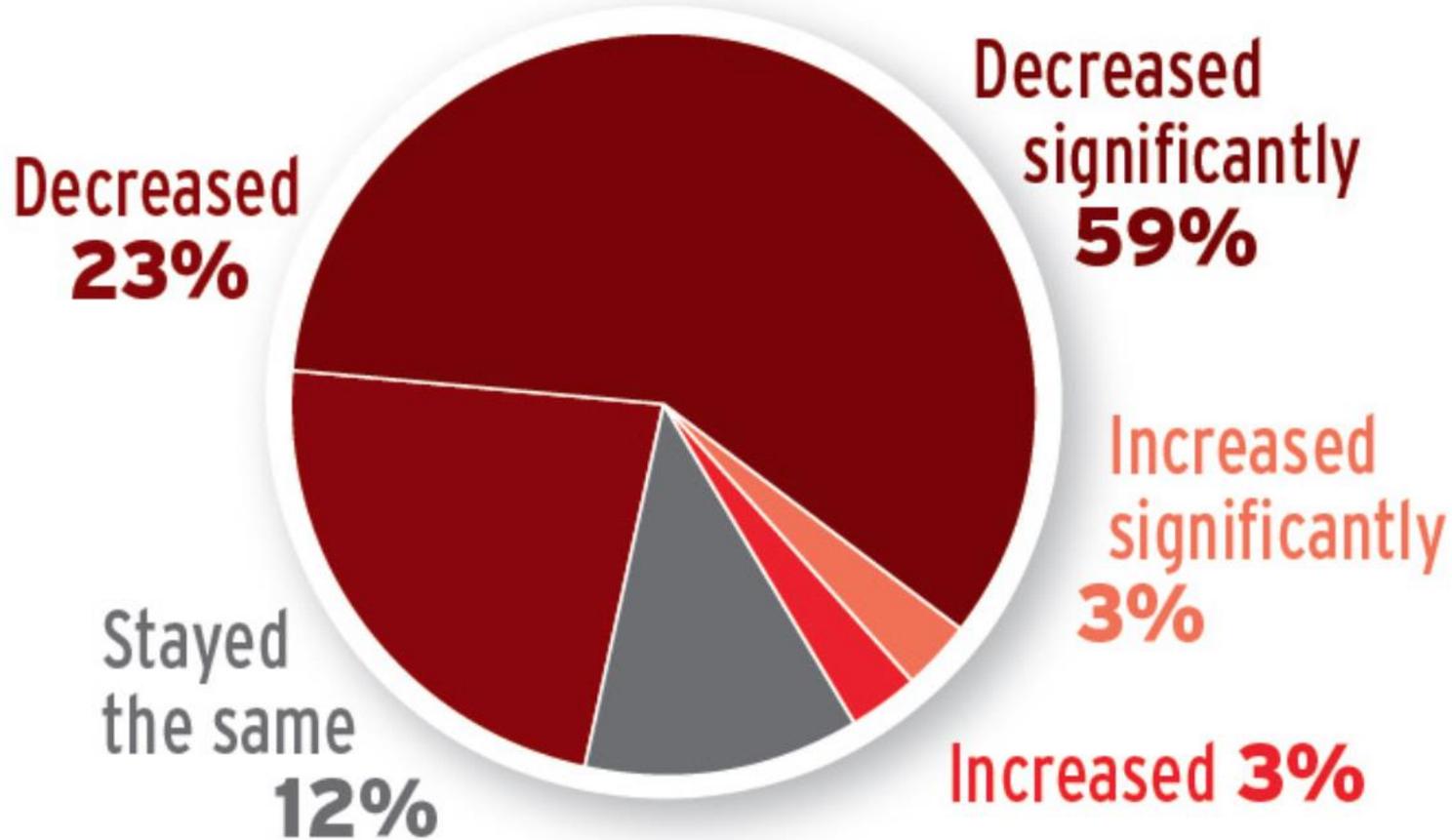
## ALL RESPONDENTS



\*Based on 263 fleet respondents ranging in size from 10 trucks to those with more than 1,000.

# How has the coronavirus affected freight levels?

# Overdrive



\*Based on 369 responses from owner-operators ranging in size from one truck to 9 trucks.

# SURVEY DATA – APRIL 20, 2020

## What changes have you made to your business in response to the coronavirus?



# SURVEY DATA – APRIL 20, 2020



**How would you rate  
overall business conditions  
in the last week?**

**Based on a scale of 1-10, with 1 being the  
“worst week ever” and 10 being “the best week ever.”**

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MOTOR CARRIER INSURANCE  
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# FROM HDT TRUCKINGINFO

- Information from FTR
  - “Don’t Look for Positive Trucking Conditions Again Until 2021”
    - By Avery Vise
      - According to FTR’s projections for the Trucking Conditions Index, a combination of drastic declines in freight volumes, utilization, and rates due to the COVID-19 pandemic could lead to the worst overall trucking conditions on record during the second quarter of this year. While the forecast predicts the biggest drops in April and May, the current outlook is for the index to remain negative well into next year.
      - “Although trucking conditions might prove to be comparable to the worst of the Great Recession, the trucking industry – like the rest of the economy – has never seen such an abrupt deterioration,” said Avery Vise, vice president of trucking at FTR. “The need to restock grocery shelves provided a brief boost for some segments, but the economic shutdown now has taken a toll on the whole industry. While an economic restart likely will begin in May, the damage wrought during this period will weaken trucking conditions for months to come.”



# CONSIDERATIONS

- The current business environment must be a consideration when thinking about how to “help” deal with insureds that are for-hire interstate motor carriers
- This is not the recession of 2008 where there was an industry slowdown
  - Happened quickly
  - Did not affect all truckers
    - Essential items – Food, paper goods, safety equipment, etc.
  - Dead stop
    - Autos, flatbeds, appliances, manufacturing goods for households, etc.



# US DEPARTMENT OF TRANSPORTATION SUSPENDS HOURS OF SERVICE REGULATIONS FOR THOSE RESPONDING TO THE COVID-19 OUTBREAK ON MARCH 13, 2020

- FMCSA's declaration provides for regulatory relief for commercial motor vehicle operations providing direct assistance supporting emergency relief efforts intended to meet immediate needs for:
  - Medical supplies and equipment related to the testing, diagnosis and treatment of COVID-19.
  - Supplies and equipment, including masks, gloves, hand sanitizer, soap and disinfectants, necessary for healthcare worker, patient and community safety, sanitation, and prevention of COVID-19 spread in communities.
  - Food for emergency restocking of stores.
  - Equipment, supplies and persons necessary for establishment and management of temporary housing and quarantine facilities related to COVID-19.
  - Persons designated by Federal, State or local authorities for transport for medical, isolation or quarantine purposes.
  - Personnel to provide medical or other emergency services

# FINANCIAL IMPACT ON INSURED

- Loss of business
  - Past customers have nothing to haul
- Low rates
  - More capacity
    - Lower rates
- But fuel costs are low
  - Price not seen in many years



# FINANCIAL IMPACT ON INSURED CONT.

- Less traffic
  - More productive per unit
    - Less congestion so more miles in less time
    - Few things to hit
    - Hopefully fewer crashes
- Truckers are now seen in a more favorable light getting necessary items delivered



# INSURANCE CONSIDERATIONS

- Less miles – PPA insurers promising discounts
  - As another week of U.S. stay-at-home orders passes, more major [auto insurance](#) companies have announced plans to refund small amounts of money to their customers due to the current lowered frequency of driving. State Farm, Nationwide, Liberty Mutual, USAA, [Mercury](#), and Safeco will provide either a one-time flat-rate refund or a percentage of premiums will be automatically credited to customer accounts.
  - Nearly every big auto insurance firm has now launched relief programs in response to the effects of the coronavirus pandemic. Under guidelines to stay off the roads, save for essential trips, driving is significantly down and [insurance](#) companies are handling far fewer claims.



# STATE DEPARTMENTS OF INSURANCE

- All states have reacted to concerns for insureds whose business has been affected by COVID-19
  - Please do not cancel for non-payment
  - Insurance providers cannot cancel a policy for non-payment
    - Ohio, New York, California that we know about
  - Be nice to businesses that have been affected by COVID-19



# INSURANCE COMPANIES

- Each insurance company will make decisions about how they will address these strange times
- Thoughts –
  - Unlike PPA insurance companies
    - Insurance companies that provide insurance to for-hire interstate motor carriers have to meet financial responsibility – FMCSA
      - 91X/MCS90
    - If insured has a crash with a unit that was not a covered auto, the insurance company will still have to protect the public
    - Thus the “rule” must insure all units the insured operates 10,000 GVW or larger



# MCS90/91X

- To have MCS90/91X involved, the unit must be used in interstate commerce and/or using the authority of the insured
  - So hauling a load would be a problem
  - But just moving a unit, maybe not



# CONSIDERATIONS

- Essential/Needed/Not needed
  - What is the typical property they haul?
    - Faster, less traffic so more miles per unit if there is something to haul vs. less freight to haul
    - Units' real miles driven
    - Number of units, covered autos and premium base



# CONSIDERATIONS

- Insured asks to cancel/modify their policy or stop payments
  - Which coverage(s)
    - AL/PD/Cargo/GL/WC-Occ/Acc
  - What states allow
  - 91X/MCS90
  - Direct bill or account current
  - Insured request/Premium finance company



# CONSIDERATIONS CONT.

- Owner-operator
  - One truck
    - Motor carrier with own authority
      - Cannot pay premium
        - » Cancel policy/Suspend coverage
          - Liability/Cargo/But not Physical damage
  - Leased to another motor carrier
    - Impact on NTL
      - » Cancel policy or forgive payments
        - If so, how much and proof
  - Cancel policy now
    - Start again
      - » New venture
        - Business plan



# CONSIDERATIONS CONT.

- Motor carrier with 2-20 units
  - Written on a Specifically Described basis
    - Insured asks to remove unit(s)
      - Take off unit(s) and give credit
      - ISO Suspension of Insurance – CA0240
      - NTL for certain units and certain coverage



# CONSIDERATIONS CONT.

- Fleet
  - Written on monthly reporting basis
  - Easier to deal with
    - Except
      - Minimum monthly payments
      - Annual minimum



# CONSIDERATIONS CONT.

- Be proactive
  - Contact insured and see where they stand
  - Respond when
    - They call
    - Stop payments

