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HARD MARKET TIPS FOR A HARD INSURANCE MARKET

The market is hardening! The market is hardening! Have you heard this from every agent you speak with? Well it is hardening. Not like it did in 1985 where the prices went up suddenly and then slowly dropped due to more competitive market conditions. This market is an emerging giant which is being driven in part by losses, in part by fear of risk that might cause adverse losses, in part by a shrinking market for your type of risk, and the lack of reinsurance support for trucking programs.

In 1999 there were approximately sixteen reinsurers participating in most trucking programs. The long soft market was good for the consumer and the coffers of a hungry reinsurance community were being filled by premium dollars ceded by their customers, the primary market. The primary insurers who were also hungry for market share in a booming economy were writing at less than actuaries' recommendations. What happened? Catastrophic losses, losses that an underwriter cannot foresee

when looking at loss runs that show low frequency and no severity. Who got hurt? The primary markets in most cases were in a large part reinsured so they passed losses upward. In the beginning of 2000 the reinsurers began to non renew their contracts. By June of this year by some estimates, there were only six of the original sixteen reinsurers that would even consider supporting a primary truck market.

With less reinsurance available many programs were not renewed. The underwriters were asked to increase their retention, accept lower ceding commission, and participate in the losses generated by their book of business. Some complied, some exited the stage creating a shortage of primary markets. Certain companies backed out and are just now coming back in. The pricing is now at or near the minimum pricing their actuaries said they needed all along, so with higher pricing they now feel comfortable in accepting business even though they retain more of each loss.

Market share is improved for two

reasons. Less competition and more premium can be charged for the risk.. For those who renewed in the first part of 2000, you did not see much impact, but wait.

The so called "hard market" is not here yet. The reinsurers renew contracts at all times throughout the year and January 2001 could be a very important date. What can you do improve your chance of getting the best deal when you renew? Consider what an underwriter does. Essentially an underwriter is a knowledge manager. Barry Wilkenson, a chief underwriting officer of a major reinsurer, defines a knowledge manager as someone "understanding and leveraging the information flow and decision-making process within an organization." Why? Because that is how to run a profitable business. The trick is how to take this knowledge management beyond a theory to a winning strategy. Just consider how you can use this knowledge to your competitive advantage.

Underwriters rely on experience and statistical data to assess risks. Underwriters must continually add to their knowledge base to handle ever-changing and complex sets of underwriting decisions.

When the underwriter's goal is to get the information necessary for the decision-making process and the agent's goal is to get the policy issued, effective exchanging of accurate and complete information creates a team of the underwriter, the agent, and the

customer and is key to a smoother, faster transition from underwriting to policy issuance.

Knowledge management is about sharing the processes involved in risk assessment. Therefore, we convey to you that the underwriters knowledge of your individual account is a valuable asset if you are going to be able to survive this market. We have prepared a list of suggestions that will help you help yourself in getting the best coverage for the best value in the future. It may take time but it is definitely worth the effort.

USE A SPECIALIST

Now it is trickier than ever. There are more restrictions, exclusions and warranties than ever, in cargo coverage particularly. Locked vehicle warranty, restricted commodities to be hauled, and unattended vehicle are but a few. Be sure you know the person you are dealing with knows your particular company, it's nuances and needs that differ from other similar companies. Have they ever written a trucker? How many do they write? Do they specialize in one industry----yours?

USE AN AGENT WITH EXPERIENCE IN TRUCKING WITH ESTABLISHED MARKET RELATIONSHIPS

Today the workload is so great only agents with established relationships with accredited trucking markets are able to get quotes.

COMPLETE SUBMISSIONS

All blanks in applications must be completed. Since many companies are inputting data for computer rating, if

the form is incomplete your application will be rejected. All of the underwriting criteria must be obtained; financials, updated loss runs and current motor vehicle records on all drivers. Motor vehicle reports no older than ninety days are vital today as many companies give credits for drivers with good driving records. The underwriter also looks at age and length of time the driver has had his CDL. Credits or debits are assessed on age and CDL experience.

ACCURACY

Revenues and mileage must make sense for prior years as well as future estimates. The revenue per mile must track and correlate with financials. There should be an MVR for each driver on the drivers list. The cargo limits requested should follow the limits of maximum values hauled and the true exposure.

START EARLY

More and more companies are requiring more time to scrutinize the risk. Several companies now require sixty to ninety days lead time. You do not want to lose access to these markets by failing to prepare. Run MVRs ninety days prior to your anniversary date. Get your equipment list with current values in order and put together a packet of financial data including an interim financial for the current year.

ASSIGN MARKETS

If you must choose to use more than one broker, markets should be assigned. This will prevent costly time delays later. It also prevents one agent from simply mailing an application early thus blocking a market where he may not have the relationship of another broker.

Many times an agent may send an application to a market and never even get a response because the application is incomplete or the underwriter chooses not to quote for that agent.

LOTS OF MARKETS CAN BECOME FEW

Even though there appear to be an abundance of markets on an agents' list today, by the time the dust settles, few are left. This is because of various restrictions a particular market may have for various reasons. It can be the percentage of owner operators, restrictions on flatbeds or tanks, or simply that they do not write service vehicles or include private passenger vehicles. Other reasons may be the financial strength of the trucker is weak, DOT rating is conditional, loss frequency or severity is too great for them or a host of other issues that influence the underwriter.

CREATIVE BROKER

A good broker who thoroughly knows your account will discuss issues with the market, such as claims you may have in subrogation, recent changes in your operation which reflect in your financial or DOT status and point out all of the positive points that may influence the quote.