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Trucking's Insurance Premiums on the Rise in the COVID-19 Era

September 30, 2020 | *Written by David Heller* | *FleetOwner*

I once read that there were only two days out of an entire calendar year in which no professional sports—baseball, football, hockey, and basketball—were scheduled to play a regular season game. Those two days? The days immediately before and after Major League Baseball's All-Star game. COVID-19 has certainly redefined that trivia question since we had gone roughly four months without an ounce of competition from any professional sports league. Now that professional sports are up and running again, for a time yet to be determined based on the spiking of the virus, the 2020 season—much like baseball player Roger Maris' 61 in 1961 or the strike-shortened baseball season of 1994—will almost always be referenced with an asterisk next to it. And I wonder if that will hold true for the trucking industry.

What may certainly present itself as an anomaly, miles traveled by some carriers have risen during this pandemic, while others have experienced a dramatic loss. Regardless, for any of those individual miles, exposure to risk has noticeably decreased. Our industry has had the luxury of traversing wide-open roads due to state shutdown policies or new work-from-home strategies that businesses implemented in efforts to keep employees safe.

As everyone seemed to shelter in place, truck drivers, representing the tip of the spear in the battle against COVID-19, traveled mostly unencumbered through traditionally congested areas with relative ease. In saying that, what effect will this have on our industry's accident record and invariably insurance premiums over the next year or two? The asterisk placed on this year could play a pivotal role as we look to define the effects of COVID-19 on our industry.

It's no secret that insurance premiums are on the rise. In fact, in a Truckload Carriers Association (TCA) straw poll, our carrier members averaged a 15% increase in premiums over the previous year. While we won't construe that poll as scientific in any form, there is some truth to the fact that if your premiums decreased or even remained stagnant over the previous year, you could be referred to as a unicorn or yeti, meaning that your renewal would be perceived as a tall tale or fictitious by every stretch of the imagination.

Premiums aside, my belief is that the reduction in exposure should almost always be a factor in the safety performance of a motor carrier. The National Highway Traffic Safety Administration maintains its Fatality Analysis Reporting System database, which tracks accidents across the country, and I would imagine that 2020 will play out as a year that represents a downturn in fatality accidents, which have been on the rise since 2009. I am also certain that the same correlation will play out when TCA members begin submitting their fleet vehicle accident ratio per million miles traveled in our 2020 Fleet Safety Contest. That shameless plug is a feeble attempt to lure carriers to truckload.org and submit their data before the deadline is up.

With carriers operating in a safer fashion or experiencing a wide open travel lane for the time being, how will this play out in terms of insurance premiums? That remains to be seen, especially on the heels of language introduced to the House INVEST in America Act that would raise the minimum liability levels from $750,000 to $2 million. While this language is not expected to move at this time, it certainly heightens the level of conversation surrounding the issue of minimum liability insurance at a time when nuclear verdicts are being awarded at an unprecedented rate, and tort reform is desperately needed in all 50 states. Adding further fuel to the fire, it seems like not a week goes by without a carrier closing its doors and citing the dramatic rise in insurance rates as a reason for shutting down.

The conversation surrounding minimum liability insurance levels will play out in the years to come, the main question being what exactly the correct level is required for operation. I think we can all agree that at any level, whether it is $750,000 or $2 million, these dollars should not be used to line the pockets of plaintiffs' attorneys across the land. Perhaps we should raise the cost of billboard advertisements along interstates in which these attorneys promote their practices, and add those dollars to the victims of accidents that so desperately need them.

No matter how 2020 plays out, whether there is an asterisk or not, liability insurance and its corresponding premiums continue to be at the forefront of trucking conversations. Accident frequency certainly plays a role in most insurance quotes. While I am certain these frequency rates will decrease this year, the most important practice of all will be demonstrated in the company that exhibits a passion for reducing accidents.

https://www.fleetowner.com/safety/article/21143238/truckings-insurance-premiums

Commentary: With PPP Loans Ended, What Comes Next?

August 25, 2020 | Written by Darren Prokop| *Freightwaves*

Motor carriers form the most competitive mode of transportation.

This is because there are so many independent players, and the mode is relatively easy to enter and exit. A tractor and a commercial driver's license (CDL) are enough to make someone an owner-operator.

In this way the owner-operator is a sole proprietor of a small business, either working independently or on an agency basis with larger trucking companies. The large companies have the flexibility to hire or forgo the services of owner-operators when necessary. Other modes of transport have tougher fleet indivisibilities to deal with due to owning or leasing conveyances with much larger capacities that need to be filled. Flexibility in the motor carrier sector is its source of competitiveness.

Motor carriers assist every other mode of transportation when it comes to last-mile deliveries. They are a key part of intermodal activities and, as such, facilitate trade in both retail and industrial markets. Therefore, it should come as no surprise that motor carriers took an active part in the Paycheck Protection Program (PPP) run by the U.S. Small Business Administration (SBA).

The SBA works with companies that have fewer than 500 employees. The funds, totaling $659 billion, were provided under the Coronavirus Aid, Relief and Economic Security (CARES) Act, signed into law on March 27. The transportation and warehousing sector received about $20 billion in loans disbursed across around 200,000 companies.

However, on Aug. 8 the PPP program ended. Loans were actively sought across a variety of industries, with the average being around $110,000. Some of the largest were $10 million. About 5 million companies joined the program and around 90% received loans of less than $150,000.

PPP loans required no collateral. They carry an interest rate of 1% and mature in two years if the loan was issued before June 5. Loans issued after that date mature in five years. Recipients have up to 24 weeks to disburse their funds among employees and for other qualifying expenditures. Loans issued more recently must have their funds disbursed by Dec. 31 since the 24-week period cannot extend into 2021.

PPP loans were also extended to companies with single owner-operators who, therefore, do not issue paychecks. Loan recipients with employees are required to use the funds to maintain payrolls. About one-third of payrolls in the motor carrier sector benefited from some PPP loan support. Sole proprietors with no employees, like owner-operators, are expected to use their PPP loans to maintain self-employment income.

Another feature of PPP loans is their potential forgiveness instead of having to pay them back upon maturity. If approved, the forgiveness would kick in after disbursal of funds. Companies with employees would not be eligible if, during the period of the loan, the average employee's wage fell by more than 25% or there was a reduction in the number of employees. Basically, companies must show that at least 60% of the loans were used to keep employees on the job.

On the other hand, owner-operators as well as companies with employees can cite nonpayroll-related expenses in order to make a case for loan forgiveness. These expenses include mortgage interest, rent and lease payments. Even utility payments are eligible. The current deadline to apply for loan forgiveness is Oct. 31.

Whether or not outstanding PPP loans are forgiven, access to easy credit just got a little harder for motor carriers. Is this a bad thing? The better question is, how should governments handle the economic consequences of emergencies like the COVID-19 pandemic? Should it be through broad programs like payroll tax cuts, direct payments to individuals (so-called "helicopter money"), etc.? Should it be through more targeted programs like PPP loans? Some may argue that these loans just kept foundering companies afloat. Whether or not this is true, the basic economics of the motor carrier sector are hard to overcome.

Being a highly competitive and pro-cyclical mode, the market forces at work since Aug. 8 will sort things out soon enough. The spot market's ups and downs reflect changes in carrier capacity and shipper uncertainty amid recent COVID-19 spikes. Political uncertainty over further stimulus — whether it be broad or targeted — is yet one more wild card. If PPP loans have improved a motor carrier's cash flow and balance sheet, now is the time to leverage it. Investing in new technology and digitization may prove to be money well spent.

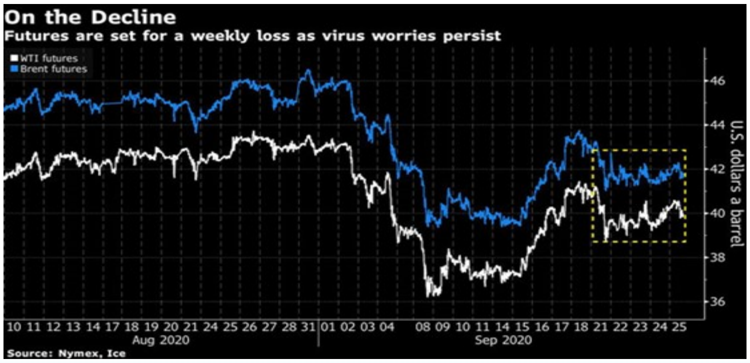
https://www.freightwaves.com/news/with-ppp-loans-ended-what-comes-next

Oil Dips in Wake of Renewed Concerns Over Virus Surge

September 25, 2020 | Written by Andres Guerra Luz and Alex Longley | *Transport Topics*

Oil fell amid growing concerns that another wave of the coronavirus pandemic will lead to tighter lockdown measures and further stifle crude demand.
Futures dropped as much as 1.5% in New York on Sept. 25 and are set for a 2.5% weekly decline. The U.K. added London to its watch list of potential pandemic hot spots, compounding worries Europe may face more restrictions as cases surge across the continent. In the U.S., a second governor tested positive for COVID-19 as cases surge in various parts of the country.

At the same time, the market is contending with returning supply. Oil traders have reported a sharp increase in Iraqi exports for next month, while output from Libya has shown signs of rising this week.



The spreading coronavirus "is really the key weight on this market," said John Kilduff, a partner at Again Capital LLC. With flareups in Europe and parts of the U.S., "none of it's good for the oil market and the demand outlook."

U.S. crude's gradual climb since May has come to a halt in September, with futures on track to drop about 6% this month. Still, Goldman Sachs Group Inc. said oil consumption is currently just above 93 million barrels a day and may rise 1.8 million a day to the end of the year. Yet, any meaningful recovery in consumption has so far been held back by the lingering pandemic.

"We're going to be range-bound for a while until there's the perception that the bulk of the COVID impact on demand is behind us," said Michael Lynch, president of Strategic Energy & Economic Research. Additionally, "if the OPEC+ deal starts to fall apart and we get a lot cruder, that would send prices down."

In a sign of just how damaging the virus has been to oil demand, the industry's largest tankers next year will earn 8% less than they were anticipating back in May, according to a survey of shipping analysts by Bloomberg. That comes as nations including Saudi Arabia and Russia have drastically scaled back output, draining the hoard at sea and diminishing the flow of cargoes.

Market signals also point to growing weakness in Brent futures this week. On Sept. 24, the global crude benchmark traded at its smallest premium to U.S. WTI since May. It's also at its weakest to the Middle Eastern Dubai benchmark in four months.

Meanwhile, the physical market for actual barrels of crude isn't providing much optimism either. Bakken crude for delivery at Clearbrook, Minn., this week hit the largest discount to Nymex WTI futures in two weeks.

https://www.ttnews.com/articles/oil-dips-wake-renewed-concerns-over-virus-surge

As the COVID-19 crisis continues, we are working diligently to provide you the most recent information. Please check out the NationaLease COVID-19 daily updates.

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