

# Owner-operator and small commercial truck fleets: how to secure affordable insurance



Concerns over the affordability of commercial trucking insurance have been slowly simmering for years. And insurers continue to see a significant increase in the size and cost of collisions. Across Canada for consecutive years, many insurers have experienced losses that exceed premiums. This is unsustainable and has led to premium increases, particularly for those operating a single vehicle or small fleet.

Most owner-operators are charged a premium that is specific to them. The premium is based on an established standardized rate, with surcharges for certain additional risks, such as U.S. exposure, type of cargo hauled and the general hazard of the risk.

When insurers evaluate a trucker's submission (or application) for commercial insurance, they look at the following factors to determine the premium.

**Age and Experience of the Truck Driver:** The age and experience of a driver will impact the premium. If starting a new business, an owner-operator may have to secure insurance in a high-risk market, such as Facility Association, regardless of previous experience driving in a fleet. Establishing a new business comes with additional liability risks that are not related to driving experience.

**Type of Vehicle:** Insurers require information on the gross vehicle weight and the List Price New, as well as on the type of trailer.

**Driver's Traffic Conviction History:** Convictions for speeding, failing to stop at a control device, driving while impaired, and other offences impact the availability and price of insurance. This includes convictions related to driving personal passenger vehicles. Insurers require the most recent Commercial Vehicle Operator's Report (Level II). This will give a clear picture of the driver as well as any vehicle infractions.

**Number of Years Licensed with a Specific Class of Driver's Licence:** There is a big difference between driving a passenger car and a large truck. The number of years licensed with an A or AZ licence makes a difference when obtaining insurance.

**Driver's History:** Those who have had several collisions pose a greater risk. Insurers will also review any previous policy and consider whether those years of experience can lower the insurance premium. Finally, a trucking business with a long history of good operations is considered less of a risk than a new business.

**Driving Locations:** Different classes are assigned to the radius of operation (short haul, long haul or interurban) including exposure in the United States.

**Driver's Employment History:** Provide the insurer with a complete history of your truck driving employment. Some owner-operators have previous experience working with large fleets, and it's critical to secure employment history and provide details of the insurance coverage that was in place during that employment.

**Type of Cargo:** The type and value of cargo hauled affects premium rates. For example, if you haul potentially dangerous cargo, it will impact your rate.

**Safety Systems:** Insurance providers prefer trucks that have maintained equipment that includes advanced safety systems. They also check if the company has safety programs – such as standard operating procedures, training systems and GPS tracking – and if the drivers' performance is regularly reviewed.

**Weight of the Truck:** Larger, heavier trucks are considered riskier because they are harder to manoeuvre and have longer stopping distances. Therefore, they are more prone to collisions, which can result in more severe vehicle damage, and injuries to the driver and a third-party (occupants in other vehicles).

When seeking commercial insurance, owner-operators should work with an insurance broker who specializes in commercial trucks and can access numerous insurance markets.

Finally, remember that premiums are set for commercial trucking based on the current risk environment and insurer claims experience.

Insurance Bureau of Canada (IBC) has developed recommendations to help improve the risk profile of the commercial trucking industry. IBC and its members are ready to work with governments and the trucking sector to implement these changes. The recommendations focus on two critical areas:

- The need for an improved mandatory training framework for drivers
- The creation of a centralized database to verify the critical insurance information needed for more accurate underwriting.



## *We are here to help.*

IBC has insurance professionals and risk managers to help commercial trucking operators navigate the insurance marketplace. Contact IBC's Business Insurance Helpline at **1-844-2ask-IBC** (1-844-227-5422) if you need help obtaining affordable insurance coverage.