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# Understanding and Negotiating Your Insurance Policy

**Presented by Alan Candeub of Park Avenue Limousine, Douglas Schwartz of Executive Ground Transportation, and Tim Delaney of Lancer Insurance**

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# Understanding and Negotiating Your Insurance Policy

## Panelists:

**Alan Candeub, Park Avenue Luxury Limousine**

**Doug Schwartz, Executive Ground Transportation**

**Tim Delaney, Lancer Insurance Company**

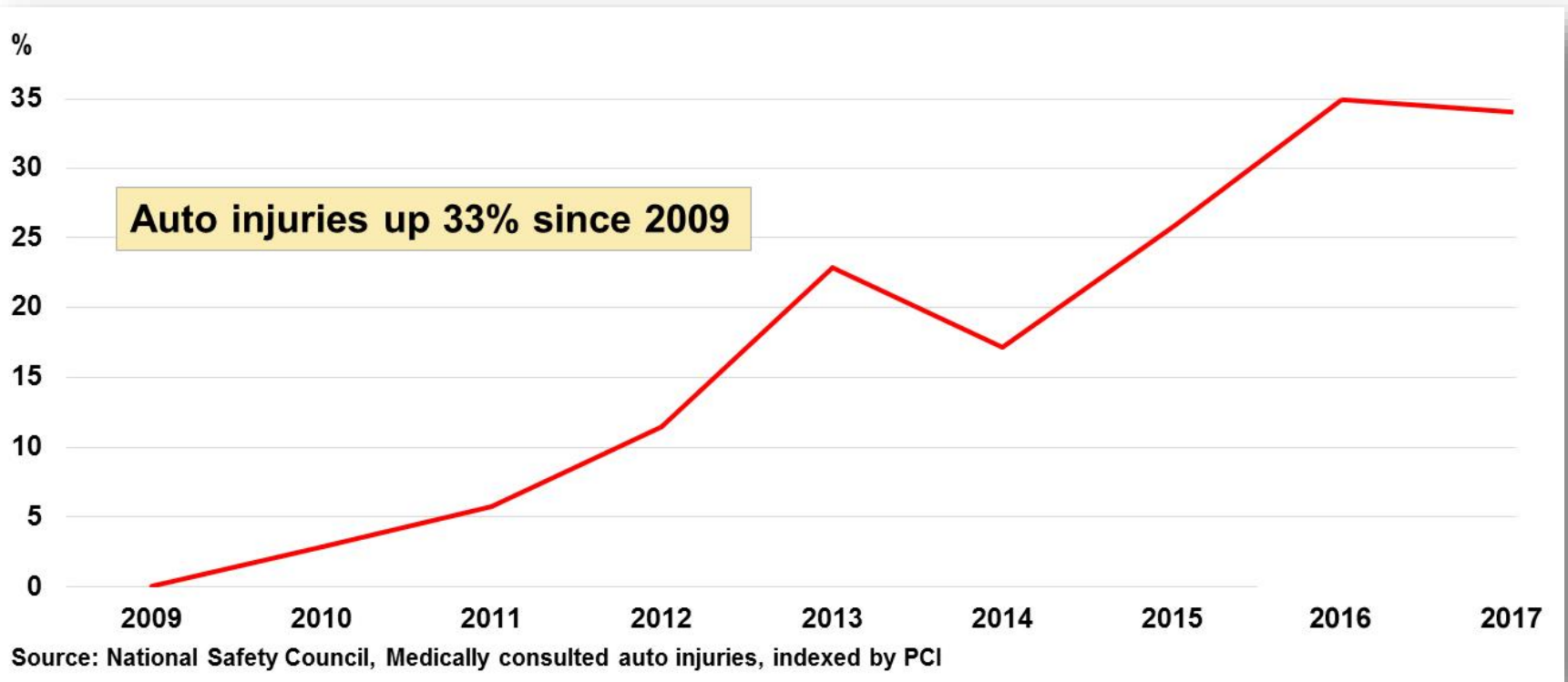
## Moderator:

**Jason Sharenow, Broadway Elite Worldwide**

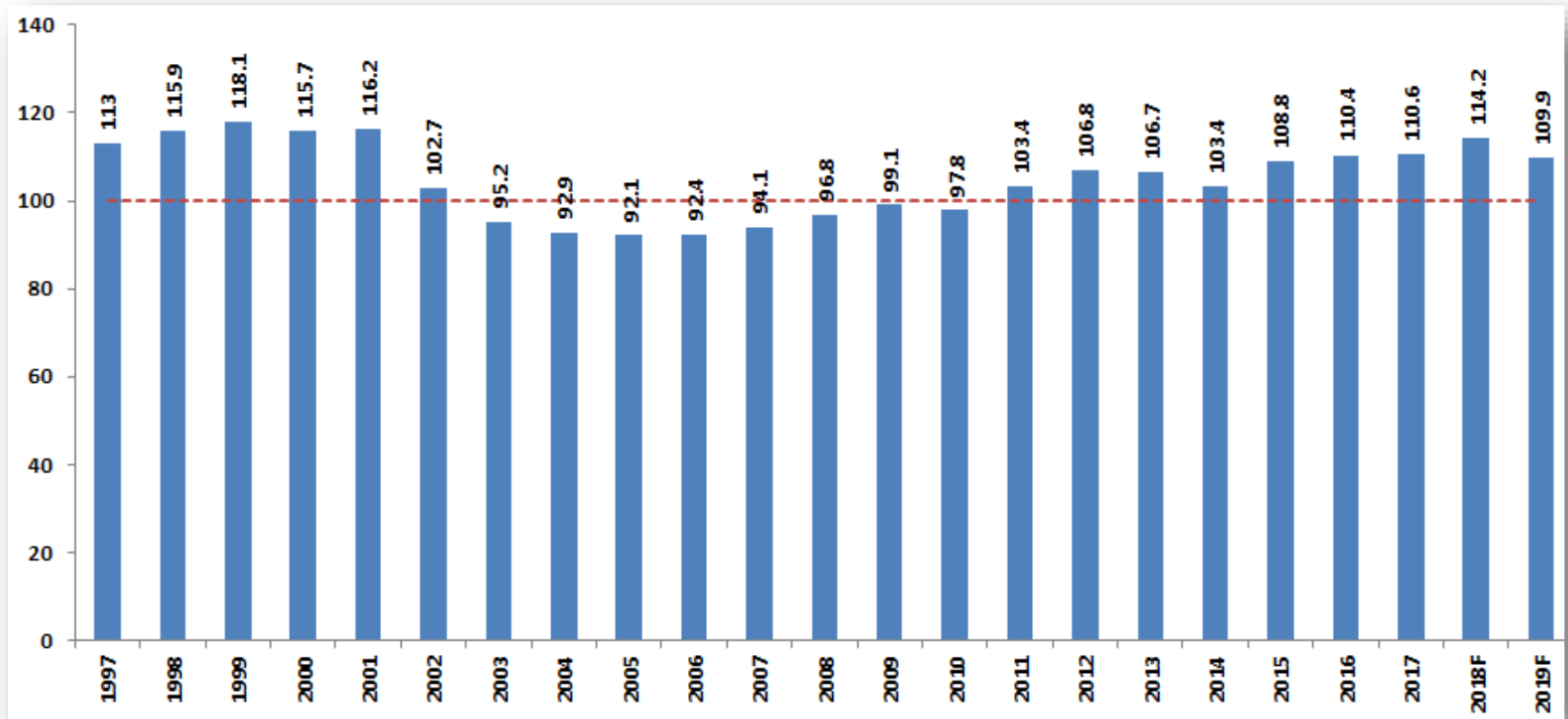
# Insurance – The Big Picture: Commercial Auto

- Passenger transportation insurers have lost money for the past eight years, with 2018 being the worst. Why?
- Frequency, which had declined for decades, has leveled off
- Severity has increased significantly with medical and litigation costs (TBI, more surgeries, stronger plaintiffs, etc.)
- Adverse development = Old claims continue to grow
- Nuclear verdicts = Excess price increases
- Primary insurers raising rates or pulling out of the market all together
- Same for reinsurance and excess markets
- Paltry investment returns mean all insurers need real underwriting profits

# Auto Injuries Rising % Change Indexed from 2009



# Commercial Auto Combined Ratio 1997-2019



# Severity of nuclear verdicts

**\$281M**

Drive shaft broke off carrier's tractor, struck pavement, propelled into decedent's windshield

1 fatality

Texas

**\$178M**

Passenger vehicle rear-ended unlit tractor trailer parked on highway shoulder

3 fatalities

California

**\$165M**

Carrier hit plaintiff's vehicle while pulled over on side of the road

3 fatalities; 1 severe injury

First District Court

**\$117M**

Defendant struck semi-tractor trailer, allegedly causing severe injury to the plaintiff whom was in the ambulance of defendant

Traumatic brain and spinal cord injuries

Louisiana

**\$90M**

Carrier rear-ended plaintiff's vehicle causing them to rear-end the vehicle in front of them

3 fatalities; 4 Injuries

California

**\$65M**

Intersection crash

Brain trauma, lifetime impairment

Florida

**\$59M**

Tanker trailer turning in East-bound lane turned and hit Plaintiff traveling westbound

1 fatality

New Mexico

**\$42M**

Defendant's dump truck cut in front of Plaintiff's vehicle

2 severe injuries

Ohio

**\$41M**

Asleep at the wheel, rear ended OV into another truck

2 minors; brain trauma; 1 fatality

Missouri

**\$40M**

Ran stop sign, intersection crash

Broken ribs and vertebra; 1 fatality

Georgia

# What's Happening?

- Strong economy = More miles driven, more on the roads
- Low unemployment = Fewer available drivers
- Even small impacts can be a big deal
- Claims costs are driving insurers and reinsurers away from transportation
- 6-7% loss cost inflation – unprecedented: Why?
  - Growing attorney representation rates
  - More TBI and surgeries
  - Litigation financing
  - Liberal venues and juries = “Social inflation” (Example: \$1B lotteries!)
  - Cost of repairing vehicles
  - Joint and several liability
  - Fleet diversification: SUVs and larger = more people, more damage

# Other Macro Factors to Consider

- Aging chauffeur/driver pool, driver shortage, driver competition with TNCs
- Distracted driving epidemic
- Drowsy driving: sleep apnea, medications, legalized marijuana
- Increased surgeries: Often not what we used to consider surgery, but cost the same or more
- Infrastructure decline and traffic changes in major cities
- Rise of the specialized plaintiffs bar and success of reptile theory prosecution
- Emergence of agency and ostensible liability exposure through affiliate relationships



# Insurance-Buying Tips

- Choose a broker with expertise in chauffeured transportation
- Understand the insurance carriers that serve your industry, their reputation, and services
- Understand your loss runs and safety practices
- Engage in the renewal process 60-90 days before policy renewal date

# Insurance-Buying Tips

- Consider sharing risk to keep your premiums lower, show “skin in the game”
- Present all safety efforts to underwriters
- Embrace technology, especially cameras
- Report claims and pay bills on time
- Understand the limits you require and why

# A Word About Underwriting

- We bet jockeys, not horses
- Generally, insurers look at the past five years of claims history, but often more
- Large claims are not always indicative of a bad risk
- Current and prior carriers matter, both from the standpoint of understanding buyers' behavior, loss history
- Late reporting of claims is a cardinal sin
- M&A, which can be good in the long run, is often an underestimated risk in terms of integration
- Cameras and fleet management systems are close to being mandatory
- All boats rise with the tide but degrees vary widely

# What Insurers Really Look At

- **Underwriting uses past trends to predict the future**
- **Examples of information considered:**
  - Losses: Frequency breeds severity
  - Drivers: Your business is hiring and training drivers
  - Vehicle lists, maintenance records, and IFTAs: Equipment quality, utilization, and radius
  - Financial statements: Those who take good care of their money tend to have fewer losses
  - Insurance history: Are you a relationship-driven buyer?
  - Mileage, venue, and type of work
  - Physical inspections
  - Insurer-specific aggregated data

# Choose Your Partners Wisely: Insurance Company

All insurance companies are not equal. Penny wise can be pound foolish.

## Look for:

- Financial ratings and stability
- Commitment to your industry segment
- Reputation: Are they known for good claims-handling?
- Underwriting expertise and philosophy: Do they know what they're doing? If it doesn't make sense to you, it won't last.
- Value-added services that can help your business: Safety, compliance, loss recovery, technology savings

# Be Prepared and Start Early

- Check in with your broker mid-term to hear about the market
- Quality insurers generally want the same information every year—stay on top of it
- Your renewal discussion should be 90 days prior to your effective date, not nine days
- Your renewal application should be submitted 60 days prior to your effective date, not six days
- You own your loss runs—don't let anyone tell you otherwise
- Do you know what is submitted on your behalf and to whom?

# Own Your Information

- Review your application to confirm accurate, current, and complete information before signing it
- Correct items that need updating:
  - Are the unit counts correct?
  - Are your vehicle values current?
  - Are your destinations/business mix correct?
- Provide a summary of your business history/future plan
- Does your website match your application?
- Do you have a copy of what is submitted on your behalf?

# Key Takeaways

- **Controlling the insurance-buying process**
  - Fail to prepare/prepare to fail
  - Insurance-buying timeline
  - Put in the work to help your broker present your company in the best light possible
- **Insurance options**
  - Get options while remembering you are buying a promise: Make sure your partner is worthy of your trust
  - Consider your limit requirements
  - Consider deductible options (with an aggregate to limit your worst-case scenario)



# Maintaining Your Rates

- **Develop a strong “partnership” with your broker and your insurance carrier:**
  - Minimize claims; maximize cooperation
  - Promote loyalty among all parties
  - Transparency is key in all directions: Get feedback from brokers and underwriters about your risk
  - The best companies anticipate risk and mitigate

# Changing Your Company's Culture in the Eyes of Insurance Companies

OPERATOR A	OPERATOR B
Carries a larger deductible to help minimize claims frequency and overall cost of insurance	Purchases the lowest deductible available
Comprehensive driver-hiring criteria inclusive of acceptable MVR guidelines	Minimal consideration toward acceptable MVRs
Enhanced safety and loss control efforts inclusive of the latest web-based technology (EVRs)	Outdated safety handouts or videos, or driver meetings with no retained info accountability
Driver recognition program that helps to retain good drivers & reduce turnover	No recognition program with a high turnover rate
Consistently low loss ratio (losses divided by premium) and low claims frequency	Higher loss ratio levels and frequency of claims

***Which operator do you believe has better auto insurance rates?***

# Step One

- Hiring: Vetting your chauffeurs, yard personnel (pre qualifying: MVR, criminal background check, drug testing)
- Handbook: Spell out exactly what your company's expectations and best practices are
- Training: In-house, outsourcing (Smith System, defensive driving school)

# Step Two

- **Maintenance**

- Vehicles (tires, belts, wipers, electrical, brakes)
- Yard
- Office

- **Cameras**

- Accountability
- Changes drivers'/chauffeurs' habits

# Step Three

## Claim History, Safety/Audits, Credit History, Social Media

- **Claim History**
  - How many (# of claims)
  - How quickly you report
  - Due diligence
  - Amount of claims

Safety/Audits

# Regulatory Compliance

- FMCSA (safer)
- DOT (Federal)
- PUC (local and state)
- HOS (violations) compliance

## **Credit History**

- Proves credibility and worthiness

# Social Media

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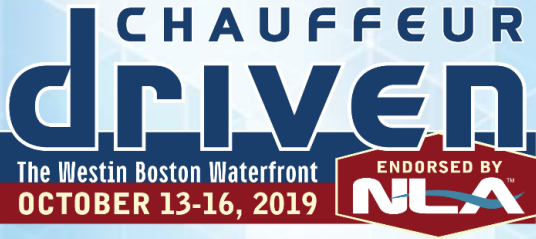
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# Step 4

- **Application**

- Prepare a complete package
- Documentation (loss history, drivers, vehicles)
- Accessibility





***Thank you for joining us!***

**Stay right here for our next session, Social Media Compass: Navigating Social Media for Your Business, which begins at 9:45 a.m.**