

Your customers view your product as a commodity. Rogue competitors lurk, willing to offer your customers a cheaper short-term deal. Rate increases are only achieved if market forces allow them, not whether you need them.

Are we talking about the trucking industry or the insurance industry?

I have often remarked that the trucking and insurance industries are remarkably similar, and understanding those similarities can help you become a better insurance buyer.

Economics textbooks would consider the trucking and insurance industries to be near perfectly competitive markets. In a perfectly competitive market, producers can choose how much to produce but not the price at which they can sell their output. Time and again I hear trucking industry executives lament how if they could only find more drivers, they could fill more trucks tomorrow. But they also lament that market forces rarely allow them to get the rate they really need.

The same is true of the insurance industry; in the insurance business, supply is determined by available capital, and despite recent catastrophic weather events, capital is still abundant. While prices have risen recently in some parts of the insurance industry, particularly in the excess market for auto liability limits above \$1 million, insurance industry executives lament how market forces will not allow them to set prices where they can achieve adequate underwriting profit. In fact, with the average commercial trucking insurer turning in a Combined Ratio (equivalent to the Operating Ratio in the trucking world) of 110 over the past few years, the insurance industry has been less profitable than the trucking industry and is projected to remain so for the foreseeable future.

Still, the industries are symbiotic. Understanding their similarities will help you better manage your cost of risk:

Just as all trucking fleets are not the same, all insurance providers are not created equal. While we are told through frequent television ads that 15 minutes can save you 15% or more, the insurance needs of for-hire truckers are decidedly more complex than personal auto, and the products vary widely. Shrewd insurance buyers will investigate and understand how to properly value product features like basket deductibles, aggregate stop losses, varying risk retention levels, large deductibles and alternative risk options versus first dollar programs, and the impact of collateral. Educating yourself on these kinds of terms will allow you to understand the vast difference between buying insurance and financing risk. Working with a seasoned insurance broker who specializes in trucking can help you decipher what you're buying, and that broker should encourage you to think about the smartest way to control the cost of risk intelligently over time, rather than viewing insurance as a commodity and going for the "cheapest" deal.

If a trucking fleet provides consistently poor service, they're going to hear about it from the shipper. At some point, the shipper is going to determine that carrier isn't worth the hassle, no matter how cheap their rates. Likewise, an insurance carrier with poor claims service isn't worth the heartache. Worse, poor claims outcomes can haunt your fleet for years, driving up rates down the road. Find an insurance carrier with true expertise in handling large trucking claims and demand excellent communication throughout the claims handling process.

Just as you might do a favor for a loyal shipper, is your insurance carrier going to step up when it matters most? You want an insurance carrier that will be your best partner on your worst day. Get to know insurance company personnel, including its senior executives, and develop a long-term partnership. If you build strong relationships with the right people, it will pay off when you need to rely on them should the need arise.

Just as there are reefer, tanker or heavy-haul fleets, insurance carriers offer various classes of business, and the products they sell can be quite varied. Find an insurance carrier that specializes in and offers programs for your particular niche, and make sure they offer the full suite of insurance coverages you need.

Finally, just as you might invest in technologies to improve miles per gallon, your insurance carrier should offer tools and programs that help you mitigate risk so that you avoid claims to begin with. In other words, there are ways to improve the ROI of your insurance program, just as there are ways to maximize miles per gallon.

In the huge, highly competitive trucking industry, there are well-managed fleets, and some that lag behind. Of course, the same is true for insurance companies, and in the long run, you should align with a reputable carrier that offers creative, flexible programs tailored to your risk financing needs.

Astute trucking executives know that in the long run, there is a difference between price and value; who they're insured with, and how they finance risk, can make a significant impact on their organization.