



New Solutions Are Required in the Commercial Automobile Insurance Market

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The 2020 heavy commercial automobile insurance market will not look different from the previous three years, as the private Canadian insurance companies continue to correct their rising commercial automobile insurance loss ratios with premium increases. It is not just the long haul transportation space that is being affected; fleets in other industries such as taxis, dump trucks, tow trucks and last mile couriers are also experiencing adverse risk selection and insurer capacity concerns.

There is also some positive news transportation fleets insured under Public/Government Insurance programs in British Columbia, Manitoba and Saskatchewan are not facing the same premium increases in the primary auto and excess/umbrella liability markets.

The Insurance Corporation of British Columbia (ICBC) will be changing to a No-Fault Insurance system: rates will be capped in 2020, and decreases of 20% are anticipated in the following years. Saskatchewan has a tiered insurance system with the government's Saskatchewan Auto Fund providing compulsory minimum automobile insurance and private insurance companies permitted to offer additional coverage. Québec also has a similar tiered system with the Société de l'assurance automobile du Québec (SAAQ) government insurance covering minimum limits for bodily injury. In a vehicle collision, whether you are responsible or not, it is the SAAQ that compensates you if you are injured. This is what is commonly called 'pure no-fault.' Québec transportation companies with exposures outside of the province, especially those venturing into the United States, have seen double-digit premium increases for the past few years.

Is one potential recipe for change to have the government get involved in private provincial insurance systems to

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help stabilize premiums? Depending on which side of the system you are on, this question will get very different reactions. My response is 'maybe.'

On February 10, 2020, the Insurance Bureau of Canada (IBC) announced the formation of a National Commercial Insurance Task Force to help consumers mitigate risk and manage costs. The IBC is bringing together insurers, insurance brokers, small businesses, risk experts and trucking stakeholders including the Canadian Trucking Alliance (CTA). So it appears that maybe, it is time to review options should the private commercial automobile insurance market not show signs of softening with additional insurer capacity and premium relief. The private auto insurance system is fractured. This is especially true of the high-risk Facility Association (FA), which administers an automobile insurance residual market on behalf of the industry in nine provincial jurisdictions (except British Columbia, Manitoba and Saskatchewan). The system is in need of a change that cannot take years to implement. The Facility Association has recently announced some positive steps and changes to their rating and commercial underwriting rules effective August 2020. A Facility Association challenge still remains on how to help transportation risks properly

transition back into the traditional insurance pool, while also helping them focus on driver and public road safety. Facility Association does not offer risk management tools; with annual premiums on average three times higher, the struggle to stay in business can sometimes take precedent over proper vehicle maintenance and safety investments.

Agility, however, is not typically in a government's DNA, and the insurance companies can also be blanketed with a similar reputation. Auto insurance is a traditional statutory product with traditional generational thinkers, and talk of change or innovations can create internal frictions. Maybe the government needs to get involved in facilitating discussions, for example around a tiered government and private insurance model that might provide some insurance capacity at least for select higher risk industries like the trucking sector.

PREDICTIVE ANALYTICS AS A MARKET SOLUTION?

It may be time to give trucking companies the option to share their owned in-cab vehicle telematics data with their insurance company. Telematics or Usage Based Insurance (UBI) models presently exist in personal automobile insurance, but UBI programs have yet to be successfully



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rolled out in the commercial space. The opportunity exists for fleets to share data to create a new insurance pool that uses evolving technologies and predictive data from trucks. Such an insurance model would reward the transportation industry for safe driving through transparency in exchange for reductions in premiums as on-road driving behaviours change and the frequency of claims is reduced. Recently in British Columbia, the Ministry of Transportation announced that the ICBC would soon offer a new UBI insurance option to the taxi industry with premiums based on per-kilometre distance travelled with passengers. The change will be implemented to level the playing field with ride-sharing companies that have an advantage by utilizing UBI insurance for risk exposures through their digital platforms.

When managed effectively, predictive telematics data can reduce accidents through pre-emptive and responsive insights and by bringing together several parties to help with risk management strategies to reduce loss costs.

Parties Involved:

- 1) **Insurance Broker**
A professional transportation broker that provides risk management services beyond just transacting insurance. Knowledgeable in reviewing predictive data from the telematics service providers (TSPs) and helping fleet managers to change on-road driving behaviours.
- 2) **Insurance Company**
Your fleet insurance company should have a loss control department and resources available to help implement

continuous risk improvements. Their review of the predictive data should help to identify trends and HRD – High Risk Drivers that require additional coaching and mentoring.

- 3) **Telematics Service Providers**
Many approved Telematics Service Providers have risk management tools available to their subscribers, as well as services that can closely monitor critical driving events in real time.

SOCIAL BENEFITS OF TECHNOLOGY

Beyond just insurance premium cost savings, the industry needs to look at the social benefits of using vehicle technologies. After the Humboldt tragedy, the Canadian Trucking Alliance (CTA) issued a 10-Point Action Plan to ‘raise the bar for truck safety.’ The plan provides recommendations on how government and industry can work together on improving compliance issues like hours of service, distracted driving sobriety, carrier evaluation programs, etc.

The first four CTA Action Items are related to vehicle safety technologies:

- 1) *Introduce regulations to mandate the use of electronic logging devices (ELDs) for all carriers required to maintain a logbook.*
Already mandatory in the US for Canadian truckers who have cross border risks. Progress has been made as the new ELD requirement will come into force in Canada in June 2021, and will replace paper-based daily logbooks.
- 2) *Consult with the Federal Government, commercial vehicle manufacturing and trucking industry to explore the feasibility of developing regulations requiring the installation of forward-facing cameras in all new and existing federally-regulated commercial vehicles.*

Last year Intact Insurance became the first insurance company to mandate forward facing cameras for their long haul trucking clients who have US exposures. Forward facing cameras when properly integrated with a fleet Telematics Service Provider can be used as a driver behaviour-coaching tool.

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Forward facing cameras that use SD memory cards tend to be used only as a claims tool, post-loss, to help exonerate the driver.

- 3) Partner with governments, manufacturers and the trucking industry to assess the availability and feasibility of increasing the use of additional in-cab technologies that monitor distracted driving behaviour of commercial drivers.

Driver-facing cameras are an effective tool for identifying distracted driving habits. The industry should discuss mandating driver-facing cameras for any professional commercial driver convicted of a handheld device infraction. Discussions should also consider implementing driver-facing cameras for all newly licensed commercial drivers during their first one or two years on the road. Driving a transport truck is a professional occupation and the entry level into the industry should reflect this standard.

- 4) Begin working with the governments, manufacturing and the trucking industry to assess the market readiness of advanced driver assist systems (ADAS), including speed limiters to mandate set speeds on heavy trucks, and determine the role governments can play in increasing the penetration rate of driver assist technology in the marketplace.

Advanced driver assist technology already exists and solutions should be reviewed to mandate the technology in all new trucks. ADAS technology can save lives, reduce the severity of injuries and prevent collisions. Many personal lines insurance companies apply up to a 15% discounts for approved collision avoidance technologies.

The next 10 years will witness the emergence of a different skillset among professional commercial drivers. The future driver will have learned to drive with personal vehicles that have Collision Avoidance Systems and Lane Departure Warning Systems, and most likely, some will have expertise on Level 2 to Level 3 autonomous driving systems. Drivers in this decade will be educated on Vehicle to Vehicle (V2V) connected trucks which communicate with other vehicles on the road; and on Vehicle to Infrastructure (V2I) technology which communicates with intersections and other road sensor

infrastructure to warn drivers of safety issues in real time. These technologies will help drivers take action to avoid catastrophic accidents and save lives. All new drivers will be required to meet a National Mandatory Entry-Level Training (MELT) standard for commercial vehicle drivers, which will ultimately be included in the National Safety Code.

The insurance and transportation industries are facing a number of common threats and challenges. Both are battling

a skilled labour shortage, and both will continue to be disrupted by new technologies. The private and government insurance industry needs to play a major role in advocating for safety changes and help reward trucking companies that implement proven, forward-thinking safety technologies and risk management best practices. All industries and governments need to move quickly to find common solutions to help prevent another catastrophic loss such as the tragedy we saw on April 6, 2018. ■

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