

TRANSPORTATION

INSIGHTS

LloydSadd
INSURANCE BROKERS



January 2020

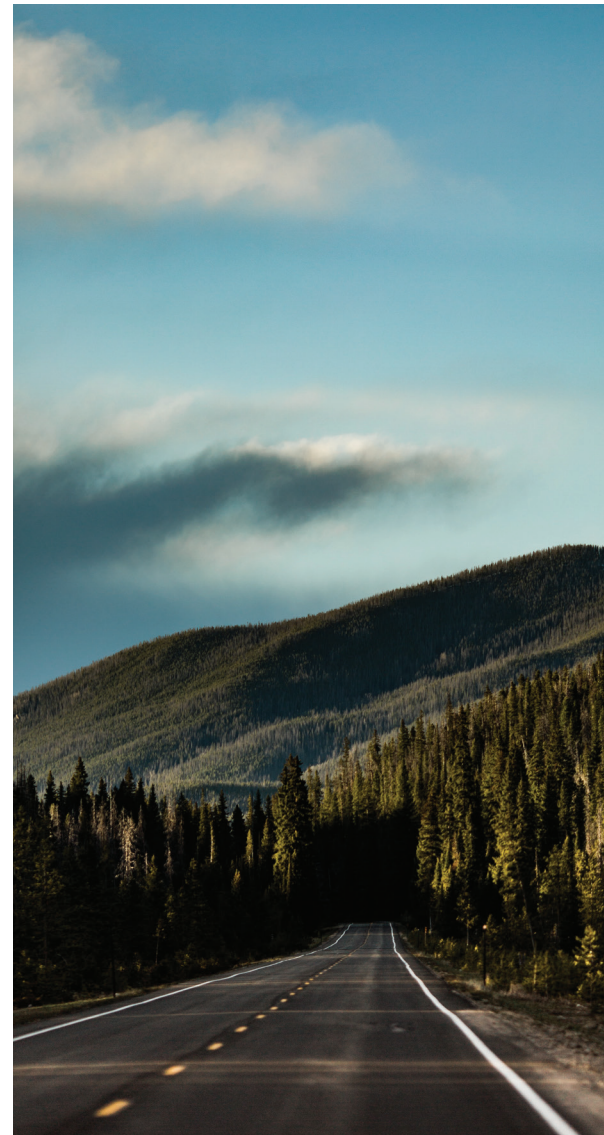
2020 Year in Review

The Transportation sector, like many in 2020, were doing anything and everything to adapt to the pandemic. Unlike other industries, however, they were also faced with a challenging economy, and a tough insurance marketplace.

The result? 2020 was a year which created unprecedented challenges for Transportation companies but as if it was imprinted to their DNA these businesses dug deep and found opportunities to innovate, navigate, and survive. From a Transportation insurance perspective 2020 can be summarized by '3 C's.' Some carriers had challenges with one, some with all.

HERE'S HOW THE YEAR ENDED UP:

- 1. Capacity:** By far and away, the biggest change for 2020 was the continued lack of appetite from the insurer marketplace. Think of the insurance marketplace moving from a buyers market to a sellers market but with a whole lot less sellers. The immediate impact is on rates and depending on your risk profile the impact could have varied from small to devastating. Why? The willingness of insurers to provide coverage to Transportation companies continued to decline, with many insurers leaving the marketplace altogether. The majority of insurers that did continue to stay in the market put in place further restrictions, leaving a very narrow group of companies that qualified for alternative insurance options. As such, for many, the process to make adjustments to their program continued to be an uphill battle.
- 2. Commodities:** As 2020's coronavirus continued to affect the economy, many transportation companies tried to be creative and embarked to diversify the commodities they were looking to haul. This was in an effort on hauling goods to bring in much needed revenues. However, the insurance market place at the same time, put in further restrictions on goods they were willing to insure. In fact, some goods were labeled as being 'hot button' commodities and as such, were dropped altogether from their portfolio of risk. The relationships between Transportation companies, their brokers, and their insurers were never more important than in 2020 when assisting with these diversification strategies.
- 3. Cost:** With insurance premiums being one of the top operating costs for most Transportation companies we are all aware of the escalating prices brought on in 2019. For many of us we are seeking stability and certainty to balance budgets hoping the worst was behind us. Unfortunately 2020 was no different as rates continued to increase an average of 15% or more throughout the year.



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In our discussions with perspective clients we hear this a lot: *'we were expecting an increase, but were shocked with the amount and the limited options presented'*. When you are in a seller's market you have to find ways to differentiate yourself and stand out! Meet your underwriter, invest time in loss control, brag about what make your company better, different, and unique. There are options to mitigate costs, but start the renewal process early and seek advice on how to do so. Options are out there!

It should also be noted, one of the most drastic changes of 2020 was to the Facility market itself. While this market is traditionally seen as an option of last resort, they have seen an influx of carriers that cannot find coverage in the standard market. In 2020 Facility rates increased approximately 57%. In addition they implemented a 25% minimum deductible against the list price new of trucks and trailers. Facility has therefore essentially made itself a liability only market as very few Transportation companies can afford not just the premiums but now the deductibles. With more changes potentially coming this is no longer a viable option for many companies.

While the impact of COVID 19 and the Insurance market creates many challenges we are hearing from clients that they are finding ways to grow, excel in their market, diversify, find operating efficiencies, and find new clients. While the challenges of the insurance marketplace can cause strain, partnering with your insurer and broker to identify areas your company is doing well can give your company a significant competitive advantage. Insurance has always been an important part of a Transportation company's professional service providers; it has never more so been the case more then in 2020.

If you have questions specific to your business, or would like additional information, please reach out to your Lloyd Sadd Advisor.

LET US HELP YOU MANAGE YOUR RISK

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