

# Gearing Up: Transportation M

In a time of flux, survey finds split on pricing opinions: some see a hardening, others say rate



BY CHAD HEMENWAY

**S** THE specialty-transportation market hard, flat or soft? It depends on whom you ask as opinions vary widely—generally a sure sign of a line whose pricing is in a time of transition.

In a recent survey, 28.6 percent of respondents say the overall specialty-transportation market is hard or hardening, while 32.65 percent say it is flat.

And 38.8 percent say the market is soft

or softer (see charts), according to those taking part in the Transportation Insurance Pricing Survey (TIPS) for the 2011 second quarter, conducted by specialized business-insurance and risk-management interme-

diary NIP Group Inc. of Woodbridge, N.J.

For its part, NIP interprets this split in opinion as a sign that, overall, pricing has probably begun to find a point of equilibrium.

“There appears to be stabilization in rates—a lot of flat rate,” says Richard Augustyn, CEO of NIP Group. “Whether this positive trend continues—we’ll have to wait and see.”

The TIPS survey is issued to brokers, wholesalers and underwriters, which represent thousands of account placements, says NIP.

It measures premium changes across the following segments: trucking operations, messenger/courier services, school-bus contractors, airport ground transportation, specialized carriers and riggers, intermodal carriers, ambulance/paratransit, bulk transportation, charter/tour bus, and limousines.

## UPWARD BOUND, SLOWLY

In the view of Michael S. Oliver, senior vice president of 5Star Specialty Programs, a managing general agent offering insurance underwriting expertise in transportation and other lines (and a division of Crump Insurance Services): “We’re bumping along the bottom. Rates are not going down. Over the long term, rate levels will increase to support profitability.”

But the pendulum swing to a harder specialty-transportation insurance market, if that is indeed what is occurring, has been a “very slow process,” adds Rebecca McNabb, transportation underwriting manager for independent wholesale broker and underwriting manager Burns & Wilcox.

More than 53 percent of those taking part in the TIPS second-quarter survey say there is either no change or premiums are up only 1-10 percent for small accounts.

Upward premium movement decreases as the size of the account increases. About 36.5 percent say premiums are flat to up 10 percent for medium accounts and about 35 percent say the same for large accounts.

# Market In Transition

flat—or still soft

And it's important to note that premiums may be up not because of rate pressure, but due to improvement in the economy, offers Oliver.

"The exposure base is up, not necessarily the rates," he says, especially for segments like trucking and public auto. "There's more activity."

### TIGHTER UNDERWRITING PUSHING RISK INTO SPECIALTY MARKET

Underwriting guidelines of non-specialty carriers have tightened across the transportation-insurance segment, pushing some more risk out into the specialty marketplace, says McNabb.

"Carriers are now holding on pricing whereas before they might have reached for premium," says McNabb. "They've looked at the results and seen losses—pushing these risks back into the specialty realm."

For instance, two years ago carriers may have thrown in GAP (guaranteed automobile protection) coverage or waived certain deductibles for physical-damage insurance.

But carriers have now seen deterioration in physical-damage loss history, lead-

### RISK CYCLES

*So when does transportation coverage get pushed from the primary arena into the specialty marketplace?*

One example: Risk is pushed to the specialty market when losses of a trucking company exceed the standards of the primary market—or when the risk of one particular driver the trucking company is intent on keeping shoves the hauler into the specialty territory, explains Rebecca McNabb, transportation underwriting manager for independent wholesale broker and underwriting manager Burns & Wilcox.

So specialty this year may not have been specialty last year, or the risk was in a program someone developed which no longer exists.

"There is always movement within the specialty market," McNabb. "It will always flow back to you and there are always little niches to get into."

ing them to "go back to the drawing board," McNabb says.

### CHARTER BUSES: RISING RATES & REINSURANCE

One of the segments within transporta-

tion seeing the most upward premium movement is charter buses. About 30.8 percent in the NIP Group survey say premiums are up 1-10 percent and another 30.8 percent say premiums are up 10-20 percent.

Augustyn says some headline accidents have likely contributed to this increase, while McNabb wonders if reinsurance is playing a role in the rise.

The charter-bus segment has a limited number of players due to a limit of \$5 million, which leads to dealing with the reinsurance market to spread the risk.

"You have to wonder how catastrophe losses in the reinsurance market have trickled down to accounts with higher limits," McNabb says. "We know the types of losses they've had and how soft the [reinsurance] market was to begin with. There has to be a connection."

Meanwhile, in the non-emergency medical-transportation segment, underwriters are getting stricter on risks, which leads to creative underwriting, says Steve Shepard, a transportation underwriter with Burn & Wilcox.

"Carriers will find ways to use different classifications to get more premium exposure," he says. In the case of the risk above, carriers will attempt to write the risk as a taxi exposure, since the exposure is close to a taxi.

### FEWER PACKAGE DEALS

McNabb says there are fewer packaged accounts in the specialty markets today. Whereas five years ago it may have been possible to package auto-liability, general-liability and physical-damage coverage for a fleet of trucks, "there are so many different places to go for coverage now," she says. "Pieces go everywhere, especially with the large fleets."

"So if I can't write it all, you have to look at where I can be successful—where is the profit? What is the loss ratio?" McNabb says. "You have to stay diversified and constantly reinvent who and what you are." ■

