

Choosing a Trucking Company: INSURANCE DEDUCTIBLES

If a Carrier has operators on their fleet they automatically have an insurance policy with specific deductibles and terms. Not all terms, however, are the same. Some carriers “self-ensure” to a certain dollar figure (say \$25,000) and then are covered for anything above that by insurance companies. Other carriers have the insurance companies cover everything above the deductible. Operators should understand what they are covered for and what they are not in some cases it may determine financial survival.

Though insurance costs can and should be charted and compared with competition, comparing deductibles may require a little more than simple number crunching. First, there is a separate formula that should be used to bring different deductibles to the same level. For instance: if one carrier contract provides a \$5000 deductible for the truck, \$5000 for trailer and \$5000 for cargo (\$15,000 max) while another carrier provides \$3000 deductible (max) the operator risk is significantly higher in the former. To compare contract apples to contract apples the operator must find a deductible buy-down policy and add that monthly operating cost to the former carrier contract.

However, not all comparisons are this simple, or this extreme. Though most deductibles are similar in figures (varying only a couple thousand dollars) it must be associated with the understanding that some operators seem to have more insurance claims than others.

If an operator has driven 25 years without any claims at all, they may view deductibles much differently than an operator who has driven at three carriers in five years and has three claims during that time. It is for this reason that charting Carrier deductibles may be a debatable issue within some operator circles. It may depend on who the operator is or even who the carrier is.

I just talked with an operator who is working through an insurance claim. They were sent to a pickup where the shipper loaded (and secured) the freight without the operator being present (it was not allowed). The load shifted during the trip and damaged a portion of the freight. At the destination the damaged freight was set aside and claimed at \$3091 (the deductible was \$3000). The Carrier refused to acknowledge the lack of control the operator had in securing the product and proceeded with an in house claim. In addition, the damaged product obviously had market salvage value (due to its nature and who picked it up) and the Carrier refused to acknowledge any compensation regarding it. \$3091 was deducted from the operator statement.

Upon further research there were other significant issues. This particular shipper was notorious for damaged freight (5-8+% of shipments). The Carrier never (or possibly rarely) sent company trucks to the shipper, only lease/owner operators. There were several operators on the fleet who unconditionally refuse those loads (and suffer some sort of consequences because of it). The Carrier also hosts considerable driver turnover.

There is another Carrier that had an operator damage a corner of a trailer (estimated about \$1000-\$1200+). The operator confessed to the carrier his damage and left the repairs in the Carrier’s control. The trucking company had their own body shop and decided instead of replacing the whole corner panel (which is very expensive) they simply patched the hole nicely. After several months the operator returned to the manager and asked why he was not billed the cost. The manager (who was also the carrier owner/or partial) stated this time there would be no charge. The Carrier had a reputation for approximately 25% of all small/medium size damages to be “free”. It was not policy... it was done randomly at managers discretion.

These two examples expose more than just a numerical contractual difference. It reflects different Carrier attitudes that cannot be factored into operator contracts. Operators must

weigh the ethics and operational “heart” of the Carrier they plan on driving for. Do they operate with a measure of grace, or an attitude of greed? In the end it once again boils down to trust, is the Carrier worthy of your trust? Do they deserve your effort, contribution and power?

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