2024 Q1
Transportation Market Update: Starting Off the New Year Right

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The calendar has flipped, and a fresh new year is unfolding. In the Transportation insurance world, we look at calendars as much as anyone. Carriers are looking at monthly and quarterly figures. Brokers and agents are looking at revenues each month, date expirations of existing business and new opportunities. Clients are balancing income versus expenses each week as they navigate the ever-changing landscape of the transportation industry and the many opportunities and possible pitfalls that it presents.

Each year, everyone makes that final push in Q4 to be able to say they did all they could to achieve top results. So as the yearly calendar resets, there's opportunity for the next year to be even better by making Q1 greater than the prior year. If you get off to a great start in the first part of the calendar and put in the work, it helps you achieve your yearly goals.

CHALLENGES, CONCERNS, AND POTENTIAL GOOD NEWS IN THE TRANSPORTATION MARKET

As we said in our 2023 US Transportation Market Outlook report, the market has been in a lull for the better part of 18 months. Inflation — and the increase in interest rates to curb it — have reduced consumers' spending power and the record-high freight availability the transportation industry enjoyed for the past couple of years. The cost of parts, the labor to fix the equipment, higher towing costs, the increased cost of borrowing and rising loss costs have affected clients and carriers alike. And even with some states taking measures to curb larger jury verdicts, social inflation and nuclear verdicts continue to be ongoing concerns.

If you're a new client entering the market without previous insurance history, you're more likely to be offered fewer carrier options and more restrictive terms than your peers are. Even with that high cost of insurance, with enough time you should eventually graduate to better terms and lower costs if you operate safely. However, over the last year, the prohibitive costs of entry coupled with lower income freight rate returns have dried up most new ventures, particularly in long-haul trucking. Seasoned clients have also faced challenges, with some downsizing or closing their doors.

On a more positive note, the Federal Reserve Board didn't increase interest rates in December, because inflation has been dropping following several rounds of rate hikes. Maybe we'll see a softening of those rates sometime in 2024, which could lead to increased investments, increased spending on goods, and less barriers to new entry. Maybe there's light at the end of this long tunnel. Time will tell, and we'll monitor those things as the year continues.

NEW YEAR, NEW TRANSPORTATION INSURANCE OPPORTUNITIES

Q1 brings new opportunity for everyone. Market share continues to be available to those who shine in whatever environment, market cycle, or economic trend. The commercial auto insurance industry has customers that need great guidance and insurance protection wherever they're located and represents tens of billions of dollars in spending each year for that protection. Carriers, coupled with the program space, continue to come up with new and emerging ways to insure emerging risks. The excess and surplus (E&S) market continues to grow and fulfill needed gaps, giving providers the flexibility to respond quickly with creative insurance solutions, tailored endorsements, and necessary rate adjustments.

Most carriers are pushing for more rate. Commercial auto combined loss ratios, when finalized as an industry, were at 105.4% in 2022.* Commercial auto carriers that we have spoken to believe that the industry will be netting similar negative results as a whole again when 2023 statistics are finalized. Several programs and/or carriers under loss ratio duress have exited the class both in 2023 and into 2024. Rate adequacy is still needed as an industry, as loss costs continue to rise. As always, more favorable clients with outstanding loss history and safety culture will enjoy more seamless renewals.

Even better, those that share their truck electronic logging device data with their carriers or programs have an opportunity to gain access to more coverage options and possibly even insurance discounts or technology subsidies that several are providing. Please continue to encourage this technology with your clients. Embrace it, don't fear it.

As an industry, we must continue to explore new ways to understand our clients and their needs so we can tailor solutions for them. Rate increases can't be the only

solution as customers continue to feel the economic pinch. Insurance providers do want to reward clients with the right price for their expected exposures and make it a long-term partnership.

RPS continues to grow in exclusive transportation insurance program offerings tailored to both fleet and smaller clients. Our many carrier partnerships allow us the flexibility to place a wide variety of clients and coverage needs. Be on the lookout for continued information surrounding those offerings in the coming weeks and feel free to contact your local RPS Transportation insurance representative to learn more.

We look forward to seeing our carrier partners at the Wholesale & Specialty Insurance Association (WSIA) Underwriting Summit this spring in Arizona, as well as many of you at the Motor Carrier Insurance Education Foundation annual conference in Orlando in April, of which RPS is a proud long-time sponsor. We're here for you and appreciate your business, partnership, and friendship with our team here at RPS. Remember to pick up the phone and contact your clients and your new prospects. They need you now more than ever, and it's a great way to start off the year before it passes you by.

*"US P&C Insurance Market Report: Profitability to Remain Elusive in 2023," S&P Global Market Intelligence, 19 Jul. 2023.