

2024 US MARKET OUTLOOK SERIES

**RPS**®  
RISK  
PLACEMENT  
SERVICES

# TRANSPORTATION



## STUCK IN NEUTRAL

While much of the US economy has begun to shake off the disruption that came in the wake of the COVID-19 pandemic, the transportation sector is largely continuing to dig out from the challenges it faced following that once-in-a-lifetime event. While the surge in new demand after the pandemic was initially a boon to freight carriers, less than truckload freight shipping (LTL), and other transportation service providers, the return to normal has been bumpier than expected, leading transportation activity into an overall downward trend for the last 18–24 months.

“We had all hoped that the market would bounce back quicker in 2024 than it has,” says Mark Gallagher, vice president of National Transportation at Risk Placement Services (RPS), “but it has been kind of a slog throughout the year, dating back a couple of years. Companies have been struggling; a number of truck lines have exited the marketplace or downsized, and others are seeing idle units because they can’t find freight, or they can’t afford to haul it at the freight rates that are out there right now.”

At the same time, he says, the barriers to entry in the industry remain low and there is still a lot of capacity available, which is adversely affecting freight rates. It is pretty easy to buy a truck and obtain your operating authority as a trucker, and diesel fuel prices remain at recent lows as of late 2024, [down roughly \\$0.50](#) compared to a year ago. However, fuel is the outlier as much of the other associated operating costs that come with running a trucking company continue to increase, from the cost of trucks to trailers, labor, tires, repairs, and insurance.

---

**Diesel fuel prices remain at recent lows as of late 2024, down roughly \$0.50 compared to a year ago.**

---



“Operators are getting hit from a number of different angles right now,” Gallagher says. “We’re still seeing some new entrants, but many others are leaving the marketplace with several others downsizing their operations throughout the year. Also, as a new entrant, you’re going to pay the highest insurance segment costs; you’re going to be fighting for freight on load boards where there are a lot of truckers that are looking for loads and willing to haul them for whatever they can get paid. It’s been another tough year for them.”

It’s a dynamic situation for the industry, and it doesn’t look to be getting any easier for transportation carriers anytime soon.

According to the [American Transportation Research Institute](#) (ATRI), the cost of operating a truck reached \$2.270 per mile in 2023, up just 0.8% from 2022, although marginal costs jumped more than 6% in that time. Among the fastest-growing costs are truck and trailer payments (up 8.8%), driver wages (up 7.6%), and repair and maintenance costs (up 3.1%). Insurance premiums for trucks increased 12.5% to \$0.099 per mile, according to ATRI, while average operating margins now sit at 6% and lower across all fleet sizes excluding less-than-truckload (LTL). ATRI found reductions in both per-mile and per-truck revenue in the full truckload and specialized sectors and highlighted that most of the industry saw its other costs, defined as expenses outside of the core marginal line items, increase as a share of revenue in 2023.


---

**The cost of operating a truck reached \$2.270 per mile in 2023, up just 0.8% from 2022, although marginal costs jumped more than 6% in that time.**

---

“The costs of everything — of repair, of replacement parts, of labor — are all still high, so they’re getting hit on that side,” says Gallagher. “Then, add in the liability associated with these nuclear verdicts, social inflation, the cost of medical bills, and everything else that’s hitting them on the auto liability side as well.”

Insurance remains a large cost of doing business and a necessity. Insurance companies are increasingly finding ways to help offset the cost of insurance when clients embrace new technological advancements, better safety equipment, install cameras in their vehicles, or when clients share their ELD data. While there are upfront costs to many of these enhancements within the trucks, the goal is to utilize these advancements to lower the exposure to loss and, therefore, also lower the costs of insurance over time. “We’re starting probably our sixth or seventh straight quarter of negative growth in trucking, which means a recession for the industry,” says Dan Murray, senior vice president of the American Transportation Research Institute. “The trucking industry is still waiting to turn the corner. But I really do think this fall will start to see that happen.”



**The goal is to utilize these advancements to lower the exposure to loss and, therefore, also lower the costs of insurance over time.**



Among the bright spots Murray is watching is the potential for a healthy holiday spending season this year — which would bode well for the trucking industry given that more than [71% of goods](#), or \$10.4 trillion of the \$14.5 trillion of the value of all goods shipped in the US, move by truck — as well as an accelerating shift toward reshoring and near-shoring, bringing manufacturing facilities back to the US from other countries. He also cites an increase in activity coming out of Mexico to the US as a positive factor.

“The good news is that near-shoring is cutting down on transportation costs by removing the very expensive LA Long Beach port activity and the need to move containers in and out of there,” he says. “But that’s a longer-term trend that we aren’t really feeling in our pocketbooks at this point. I’m an optimist in general and I think the latter half of 2024 will be good and that 2025 will be very, very good.”

## MARKET-SPECIFIC RISKS

America’s [13 million trucks](#) move 72.6% of all US freight, drive 327 billion miles every year, and generate \$940 billion in gross annual revenue. Of the 750,000 active motor carriers and 3.54 million truck drivers in this country as of 2023, 95.8% operated 10 or fewer trucks and 99.7% operated 100 or fewer trucks.

That said, the transportation market offers a number of unique challenges not faced by other business verticals. Nuclear verdicts, for example, tend to be a more significant challenge in transportation than in other industries due to the potential for crashes on the road and related litigation. But that is not the only risk factor facing the sector as of 2024.

---

**America’s 13 million trucks move 72.6% of all US freight, drive 327 billion miles every year, and generate \$940 billion in gross annual revenue. Of the 750,000 active motor carriers and 3.54 million truck drivers in this country as of 2023, 95.8% operated 10 or fewer trucks and 99.7% operated 100 or fewer trucks.**

---

**Cargo Theft:** Just as retailers have to deal with theft in their stores, transportation carriers are increasingly having to address the potential loss of cargo directly from their trucks, whether it is true theft by a third party or even organized theft rings that are targeting certain types of goods and shippers. Explains Gallagher: “Anything that’s easily disposed of, like food, alcohol, meat, electronics, anything that they can quickly sell off that can’t really be tracked that easily. It’s a hot button issue in our industry and it’s certainly driving up the loss cost within that segment.”

According to [CargoNet](#), a cargo theft prevention and recovery network, incidents of cargo theft increased by 57% in 2023 compared to the year prior, and increased by another 10% in just the first quarter of 2024, with an average loss of more than \$280,000 per shipment. California, Texas, and Illinois together account for 61% of all cargo theft cases. A congressional bill introduced in June, the [Safeguarding Our Supply Chains Act](#), would create a federal task force addressing supply chain fraud and theft.

Many insurance companies are forming their own investigative units to assist law enforcement in recovering stolen cargo. For insureds, on-time claims reporting can play a big role in recovery as well. The faster they begin the process of filing a claim the quicker their insurance company can start their loss mitigation investigation and reach a resolution.

**Cyber Theft:** According to a [recent study](#), cyber attacks are growing exponentially within the transportation and shipping industry, with 101 data violations in 2023 alone. In fact, the number of cyber cases in transport was up more than 181% year-over-year, matching the number of cases from the previous 3 years combined. No other industry has seen such a large increase in attacks in recent years, with only financial services coming close with a 177% increase.

---

**The number of cyber cases in Transport was up more than 181% year-over-year, matching the number of cases from the previous 3 years combined.**

---

“

**Anything that’s easily disposed of like food, alcohol, meat, electronics, anything that they can quickly sell off that can’t really be tracked that easily. It’s a hot button issue in our industry and it’s certainly driving up the loss cost within that segment.**

In transportation, this is playing out in many different ways. For example, [truck brokering firms](#) are companies that exist simply to broker loads between shippers and truckers, much like subleasing out unused office space to another tenant and earning a commission on the deal. However, cyber theft is becoming more common among these firms with thieves dummyping up invoices and inserting themselves in the process, redirecting payment to themselves instead of the trucking company. They are effectively creating a phantom shipper so that they can accept jobs and get paid, despite never hauling any freight.

**Nuclear Verdicts:** As in years past, the trend toward larger and larger jury awards in transportation-related cases is not going away and continues to grow every year. According to a 2020 study by the [American Transportation Research Institute](#), the most recent year for which data is available, the average size of large (over \$1 million) verdicts against trucking companies increased by 967% between 2010 and 2018, from \$2.3 million to more than \$22 million.

These [nuclear verdicts](#) — or “exceptionally high jury awards that surpass what should be reasonable or rational” — have been a constant concern across the industry in recent years, led by several high-profile cases. In response, New Jersey recently became the first state in the US to pass a bill [increasing the minimum insurance requirement](#) for auto carriers to \$1.5 million for trucks weighing in excess of 26,000 pounds. This is double the federal minimum requirement of \$750,000.

Charles McCloskey, area president with RPS in New Jersey, says the new requirement, which includes public auto classes including passenger vans and buses, has “definitely had an impact in the market up here. Some insurance carriers have pulled out of the state; some markets are not offering that limit.” The increased insurance costs are driving up already thin margins for truckers and commercial auto risks in the state.

From cyber theft to regular cargo theft to litigation funding helping target accident victims in attempts to increase jury awards, a lot of things in the industry right now are leaving truckers exposed to risk.



**The average size of large (over \$1 million) verdicts against trucking companies increased by 967% between 2010 and 2018, from \$2.3 million to more than \$22 million.**

“

**Additionally, many fleet insureds have downsized considerably by the time renewal season begins. Our underwriters are seeing renewals with smaller fleets and bigger losses, which is tough to underwrite.**

## **FLEET IN FOCUS**

Eden Hancock, area senior vice president with RPS in Atlanta, says that the [fleet insurance market](#) is going through a lot of changes this year in what she calls a “perfect storm” against insureds and insurers. Challenges are mainly driven by reduced capacity as more recent program entrants cut their losses and pulled out of the transportation marketplace, as well as increased loss payouts from 2020–2022 claims finally getting addressed post COVID. This is directly causing insureds to see higher rates as insurance companies seek to recoup from prior-year loss development. Hancock is seeing what she calls a lot of “tricky renewals” for agents and insurers in the fleet space as transportation insureds are heavily shopping their insurance in order to find the best rates. That means that on both new policies as well as renewals there are multiple insurance companies looking at every deal and potentially multiple agents being involved. In some cases, this is beneficial to the insured, but in other instances, this can cause confusion in the marketplace.

“Agents and wholesalers are fighting to keep business because insurance rates are increasing, capacity is tightening up and losses are getting paid out at a higher level,” Hancock says. “Not to mention our insureds themselves have a lot of fluctuation going on right now. We are seeing that our fleet insureds look far different today than when we saw them in 2020. Previous open claims with minimal to no reserves are seeing payments of six-seven figures. Additionally, many fleet insureds have downsized considerably by the time renewal season begins. Our underwriters are seeing renewals with smaller fleets and bigger losses, which is tough to underwrite.”

[Fleet carriers](#), or those businesses or entities that own a group of vehicles for their own use or outside freight carriage, are still struggling in the wake of the COVID-19 pandemic, she says, when many purchased a lot of new equipment in order to meet demand during the COVID boom. Over the last few years, these carriers have watched as that demand dried up and freight rates went down, leaving them sitting on a lot of excess equipment. Much of this equipment was bought when supply was short and prices were high. According to Hancock, trucks that were purchased for upwards of \$250,000 a few years ago when supply was tight might be worth less than \$100,000 today, leaving insureds upside down in their loans and leading to some tough conversations about negative financials with underwriters at renewal time.

“Miles driven are lower than in prior years,” she says, “which is how our many fleet accounts are rated, so we’re having to make adjustments for that on the insurance side. Traditionally, lower miles means lower revenues, yet their insurance rates are increasing.”

“I do think we’re getting back to some pre-COVID levels, with fleets adjusting to restabilize after the boom,” Hancock says. “It’s impacting the entire industry now because, just as court cases are catching up and fleets are stabilizing, we should start to see less dramatic renewal cycles. We’re maneuvering these waters to try to find the best solutions for our insureds and we’re fortunate in that we represent a lot of good insurance markets that have been around for a long time. So, we are able to access all of those markets to try to help find the best solutions for them.”

## CHALLENGES FOR INSURERS

As McCloskey explains it, the transportation market can be broken down into a few different segments, including the trucking market, and within that direct writers, direct to retail writers, wholesale MGA markets, program markets, and captives. It is a tough market across the board, regardless of segment.

“These markets have been taking rate for a number of years, and they continue to take rate,” he says. “There’s capacity to write business, but it’s still challenging, especially in certain segments in certain territories.”

He sees continuing challenges across the Northeast, where he is based, both from a legal risk standpoint as well as an operational standpoint, due to the increased congestion on the road, the colder weather, and the fact that the condition of the infrastructure is often not quite as good as in other parts of the country. Doing business in the Northeast can be hard on trucks and truckers, and insurers are looking for strong controls in place, good driver profiles, newer trucks, telematics in use, and actual data collection among their insureds to control those risks.

“Right now, the Midwest territory seems to be where a lot of markets want to write, and obviously rates are lower in those territories,” McCloskey says, but New York and New Jersey are not alone in their challenges. He mentions California, Texas, and Illinois as other challenging territories for transportation as of 2024.





In 2023, Florida passed a tort reform bill to limit all types of civil litigation in the state. Since the new law was signed, the number of new litigation filings fell from roughly 8,000 per month in early 2023 to around 4,000 per month by last November, according to Florida's Office of Insurance Regulation. "If you look at the ATRI data you see that insurance costs for truckers have gone up 12.5% since last year, and that's going to continue to be a problem," says McCloskey. "The reinsurance market right now in transportation is tough, so if you want to put a new truck program together today, it's going to be really difficult to get reinsurance support, and if you do, the commissions are not going to be good. You're more likely to have to engage some of the smaller, less well capitalized reinsurers, which can create other problems for your program."

As Mike Mitchell, area president with RPS in Charlotte, explains, the trucking market within transportation breaks down into two segments: small, 1-10 unit accounts such as owner-operators and larger, 11-plus unit accounts that include smaller to mid-sized trucking companies. The larger segment, in particular, has seen several significant marketplace exits in the last year, leading to an increased amount of business that has needed to be re-homed with other carriers. That has led to a boost in new business activity coming off of a slow 2023 and helped the wholesale and retail spaces, as well as carriers, build up their transportation books in early 2024.

"Everyone is looking for rate on their renewals as far as insurance companies go, but the marketplace is almost not allowing that rate to be obtained just because of the amount of capacity out there," says Mitchell. "As far as the insurance market goes, I'm seeing signs of it tightening up further. I'm seeing carriers draw harder lines on needing a certain amount of rate increases on their renewals, and also some stricter underwriting standards. I think a lot of traditional insurance carriers are going to be more disciplined and stick to what their metrics and regulations show."

At the same time, non-fleet and other segments of the market are seeing more capacity and more competition entering in the last year, from traditional carriers to exclusive programs and more. This has made for a hyper-competitive market in select spaces for insurers where retention is challenging; it's difficult to grow new business since there are so many new markets. The opportunities are there, but it is becoming more difficult to win accounts.

"It's better for the consumer because there's more options for them, as the combined ratio is ticking back up in the marketplace," Mitchell says. "We saw a little bit of a reprieve in the combined ratio for transportation in 2020 due to the lack of people on the road, but we're back to seeing the combined ratio tick back up in the commercial auto space."

“

**Everyone is looking for rate on their renewals as far as insurance companies go, but the marketplace is almost not allowing that rate to be obtained just because of the amount of capacity out there.**





## LESSONS FOR BROKERS

For brokers, these market conditions are creating new challenges in messaging to customers. Rates are rising alongside other operational costs, but that does not change the relationship between insureds and their insurance companies or the fact that both sides can work together to achieve shared goals.

“Personally, I say be upfront with the insured and go through the good, the bad, and the ugly with them,” says Hancock. “Our underwriters understand the challenges these insureds are facing and what’s going on with the changing marketplace, increased losses, and assets being overleveraged.”

For example, she had a recent renewal that previously had a \$25,000 reserve for a loss in 2022; however, this year that same claim showed paid and closed at \$1 million for the 2024 renewal. “Historically, given the large payout, this would be assumed to be an at-fault accident and could look negatively towards the insured.” Hancock advised. However, she and her agent gathered the camera footage from the accident, obtained the police report, and shared all the information with the underwriter to show that the incident was not the insured’s fault, and while it may affect the renewal rate, the insurance carrier should not let the loss payout look negatively upon the insured from an underwriting standpoint. The lesson for agents is that, when presented with an increased reserve or other change at renewal, transparency is important in determining the true nature of the change involved.

---

**A recent renewal that previously had a \$25,000 reserve for a loss in 2022; however, this year that same claim showed paid and closed at \$1 million for the 2024 renewal.**

---

“I advise my agents to tell their insureds to always give us the whole picture,” she says. “It might not actually be as bad as you think it is, but we can look at it, analyze it, and see the best way to approach our markets so that it’s not a disadvantage to the insured when there is a good explanation behind it. But, if we don’t understand the whole picture, there may be assumptions made that could unnecessarily have an adverse impact on our insureds.”

McCloskey, in New Jersey, agrees, particularly when it comes to the importance of customer education in transportation.

“There are a lot of things that a retailer can do to educate their insureds on the improvements that they can make on their own, including implementing and adhering to driver hiring best practices, adopting safety measures, and using and embracing telematics,” he says. “Anything to help them better manage their risk and set themselves apart can make a real difference in this type of market.”

Truckers are facing shrinking margins and rising insurance costs, and those firms that are able to implement these types of measures to improve their loss ratios and their [CSA scores](#), which measure driver safety, are better positioned to unlock lower premiums and stronger insurance relationships. Best of all, these are all factors that insureds have control over and can have a direct impact on their insurance rates. The message for brokers is that, in transportation, lower loss ratios, fewer incidents, better CSA scores, and longer driver retention will all separate those with higher insurance costs from those with better rates, and education can make a difference.

---

**Truckers are facing shrinking margins and rising insurance costs, and those firms that are able to implement these types of measures to improve their loss ratios and their CSA scores, which measure driver safety, are better positioned to unlock lower premiums and stronger insurance relationships.**

---

Explains McCloskey: “On the fleet side, those insureds are managing large groups and generally know what to do when it comes to managing their rates, but when you get to the small fleet, mid-fleet area, or even non-fleet, education around best practices is one of the most powerful things that a retail broker can do to help their clients. For insureds, as long as you’re doing all the right things, even as rates fluctuate, having that consistency is really important in controlling your overall costs.”



“

**We look forward to freight rates increasing for our transportation clients at some point and litigation to somewhat subside through some of these legislative efforts to help the commercial transportation industry to get back on stronger footing.**

It is also worth remembering that driver tracking and monitoring technology — no longer a new topic, but one being spoken of more and more — can and will play a significant role in the transportation insurance segment. The more data that carriers can gather on where insureds drive, how they drive, and what time they drive, the more personalized and customized they'll be able to be with their customers through subsidies and discounts. Given that all of this data is coming from trucks' electronic logging devices, it can also help insurers better understand what happens at the time of a loss. All it takes is a video feed and some aggregated data to help an insurer understand what happened in the case of a loss and work to mitigate that claim. New technology is allowing the industry to jump on claims more quickly while also better understanding what happened, and brokers need to be sharing that information with their accounts.

“We ask clients to embrace that,” says Gallagher, “especially as a way to offset your insurance cost. When most everything is on the rise in terms of cost, if we can help offset any of that while also helping them become a safer operation through coaching and feedback through loss control services. That's a win for everyone.”

### **WHAT'S NEXT FOR TRANSPORTATION?**

Big picture: the transportation market in 2024 is in a lull. Freight rates have been suppressed over the past couple of years, and trucking companies are for the most part waiting to see what the future holds for their industry. Larger, well-funded trucking companies with long-term contracts have managed, while smaller operators have continued to struggle.

“We look forward to freight rates increasing for our transportation clients at some point and litigation to somewhat subside through some of these legislative efforts to help the commercial transportation industry get back on stronger footing,” Gallagher says.

There is reason for optimism. Exposures across the industry dropped in the first half of 2023 but rebounded and remained steady in the latter half of the year. However, the interest rate drop could help clients purchase new equipment, which has been challenging due to current interest rates.

“Consumer spending is two-thirds of the economy, and I’m an optimist, so if the Fed continues to roll back interest rates, then I think sales will improve,” says Murray with ATRI. “Right now it is very expensive to buy a house. But, think about how important housing is to the trucking market. When a house is built, those raw materials are delivered on a flatbed truck. The minute the house is finished and sold, the buyers race to fill it up with stuff. It all comes on a truck. The housing market is very important to trucking, and a change in interest rates could have a direct impact on the health of this market in the years ahead.”

Whatever happens, the relationship between transportation and insurance is becoming more of a partnership than ever before. Costs are increasing, risk levels are higher than ever, and this landscape requires a good relationship on both sides to manage costs in ways that benefit all involved.

“We embrace the idea of carriers having more rapport with the direct consumer,” Gallagher says, “whether it’s in loss control services, getting to know the owners and the safety directors, and learning more about how a truck line is embracing the opportunity to become a safer operation. Every carrier wants that direct line of communication, especially in the event of a claim, so that they can jump on it right away, understand the situation, and not have to delay or waste time. With the first notice of loss getting reported directly and quickly to the insurance carrier by our clients, it helps to mitigate the impact of that loss. In a challenging market, a good working relationship and each side makes the whole process faster, easier, and more effective for everyone.”



**Transportation and insurance are becoming more of a partnership than ever before. Costs are increasing, risk levels are higher than ever, and this landscape requires a good relationship on both sides to manage costs in ways that benefit all involved.**



## About Risk Placement Services

Risk Placement Services (RPS) is one of the nation's largest specialty insurance products distributors, offering solutions to independent agents and brokers in wholesale brokerage, binding authority, programs, standard lines, and nonstandard auto. The RPS team, fueled by a culture of teamwork, creativity and responsiveness, works with top-rated admitted and nonadmitted carriers to design robust coverage for clients through its more than 80 branch offices nationwide.

For more information, visit [RPSins.com](https://RPSins.com).

## CONTRIBUTORS

**Mark Gallagher**, Vice President — National Transportation

**Mike Mitchell**, Area President

**Charles McCloskey**, Area Vice President

**Eden Hancock**, Area Vice President

**Dan Murray**, Senior Vice President of the American Transportation Research Institute (ATRI)

[RPSins.com](https://RPSins.com)



The information contained herein is offered as insurance industry guidance and provided as an overview of current market risks and available coverages and is intended for discussion purposes only. This publication is not intended to offer legal advice or client-specific risk management advice. Any description of insurance coverages is not meant to interpret specific coverages that your company may already have in place or that may be generally available. General insurance descriptions contained herein do not include complete insurance policy definitions, terms, and/or conditions, and should not be relied on for coverage interpretation. Actual insurance policies must always be consulted for full coverage details and analysis. Copyright © 2024 Risk Placement Services, Inc. No copyright claimed in works of the US Government.

RPSUS102369 1024