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Ohio Safety Congress & Expo

#325 Minimizing transportation insurance risk & exposure

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Wednesday, March 30, 2011
2:30 to 3:30 p.m.

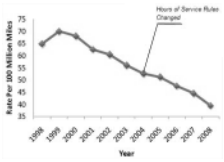
Ohio | Bureau of Workers' Compensation

Complexities Abound with Risk Management in Commercial Transportation

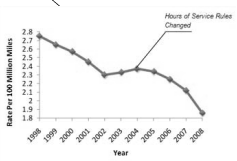
- High statutory insurance requirements
- Target defendants
- Losses can be catastrophic
- Too often, efforts begin way too late
- Must involve a multifaceted approach

First…A look at where we are

Most Recent Crash Data Shows



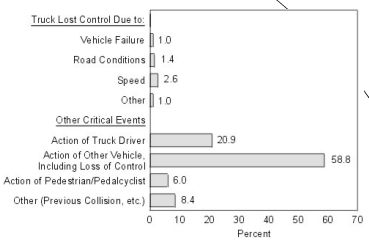
Injuries



Fatalities

Source: From FMCSA's Statement Before The U.S. Senate Subcommittee On Surface Transportation And Merchant Marine Infrastructure, Safety, And Security, April 28, 2010

Critical Events in Large Truck Crashes

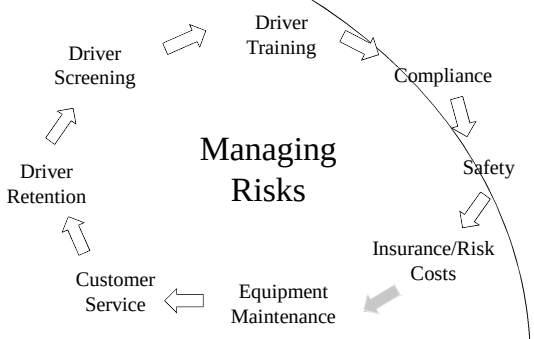


*FMCSA Data

Bottom Line….

- We are safer now than any other time since data collection began in 1975.
- Companies are better using technology in the safety risk management arena.
- HOWEVER…At the same time it is getting more challenging to effectively manage risks and continue the improvement trend.

The Cycle of Success in Commercial Transportation



What are the major risks your transportation organizations face on any given day?

Major issues in managing risks associated with commercial transportation?

Drivers
Customer Demands
Risk and Loss Analysis
Regulatory Compliance
Traditional Approach to Safety Programming
Insurance Coverage Issues
Mitigation of Claims

Drivers

- We hire the majority of our risk management problems.
- Looming driver shortage and problems bringing new drivers into the industry.
- Very little direct supervision.
- Oftentimes we act too late.
- We must constantly "grade" drivers to predict potential problems before they become claims.

Customer Demands

- Sometimes counter to good risk management.
- Are we communicating with our customers?
- Do we work with customers to correct potential risks?
  - Location problems
  - Time constraints
  - Packaging issues

Risk and Loss Analysis

- Most organizations do not adequately identify risk exposures.
- Too often we use an ineffective "shotgun" approach.
- To effectively control risk, we must first know what makes us successful.
- In-depth analysis is necessary to design risk and insurance program specification.

Regulatory Compliance

- An organization's level of compliance can have huge implications in the risk management arena.
- CSA and Hours of Service
- Organizations must stay ahead of the curve.

Traditional Approach to Safety Programming

- The traditional approach to safety has been reactive.
- Effective risk management requires proactive safety programing.
- All members of the organization must be engaged in the process.
- Leverage truck-based technology.

Insurance Coverage Issues

- We remain in one of longest lasting soft insurance markets.
- Could the end be near?
- Changes in the way transportation works creates the need to constantly evaluate exposures and insurance policy protections.
  - Freight brokerage implications
  - Bad shipper contracts

Mitigation of Claims

- Have the structure and service providers BEFORE you need them.
- Must have the information to act effectively.
- Taking early control of the situation.
- Know when to get outside counsel involved.
- Be prepared to act and make critical decisions in a timely matter.
- Protect all evidence.
  - Reconstruction

Think Outside of The Box

- No longer can we conduct business as usual.
- Question everything.
- Be open to change.
- Get the entire organization involved.
- Shop insurance program

Prepare Your Organization

- First order is to prepare for insurance pre-quote due diligence.
- Can program be questioned when defending claims?
- Set policies and follow then uniformly.
- Constantly evaluate and modify risk management and safety programs.

Questions?

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