

SEPTEMBER CAPACITY SURVEY: FLEET INSURANCE RENEWALS





Insurance Policy Renewal Survey Methodology

The FreightWaves Insurance Policy Renewal Survey is a monthly survey of insurance companies to determine if trucking fleets are expanding or contracting as they renew, add, or subtract to policies during the prior month. The first survey in July 2019 captured activity in the first half of 2019. The second survey in August 2019 captures activity in the past thirty days (August).

This survey is a leading indicator for how for-hire truck capacity is moving in and out of the freight markets. If one thinks about a fleet of 100 trucks renewing its insurance policy with 90 trucks, then this is a contraction of 10% of its fleet. On the flip side, if the same fleet adds 10 trucks then its insurance renewal would indicate a 10% expansion.

In aggregate across dozens of insurance companies, this net expansion or contraction data will help readers determine movements in for-hire capacity that can predict the direction of line-haul rates and tender rejections.

FreightWaves Freight Intel Contacts

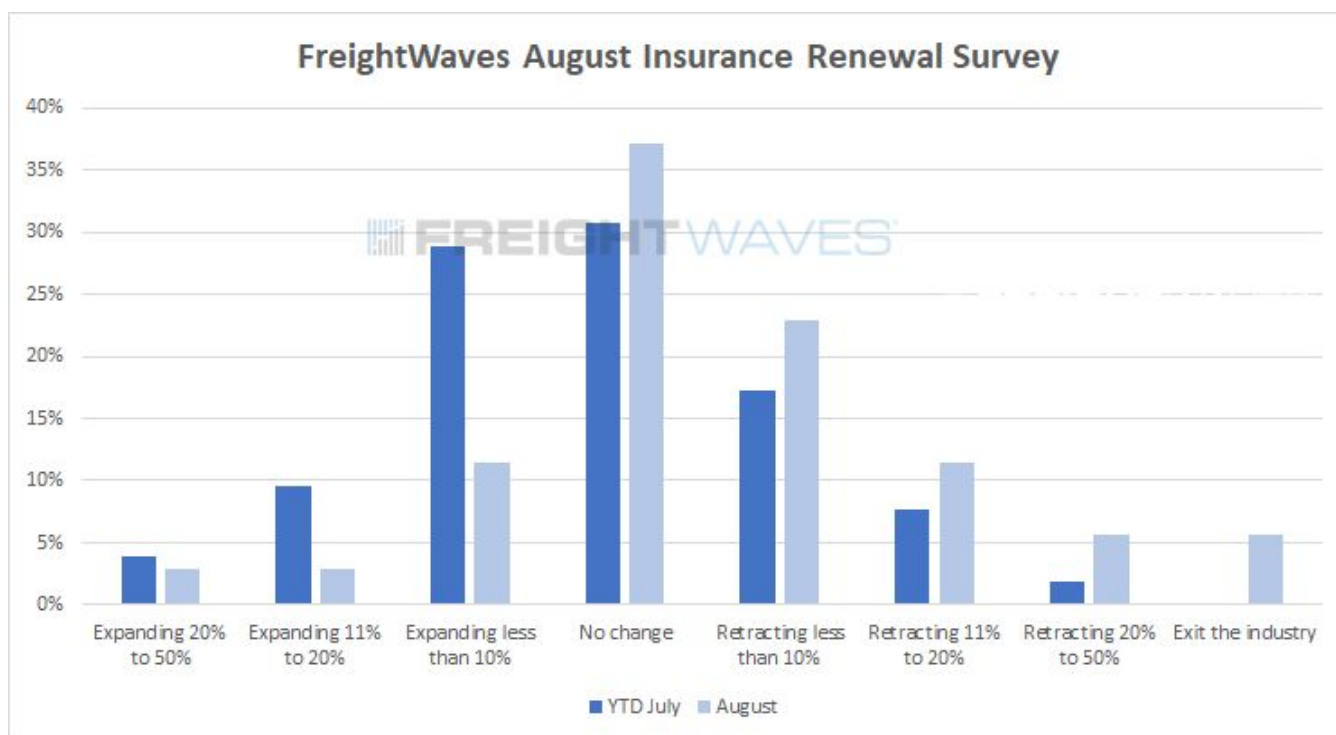
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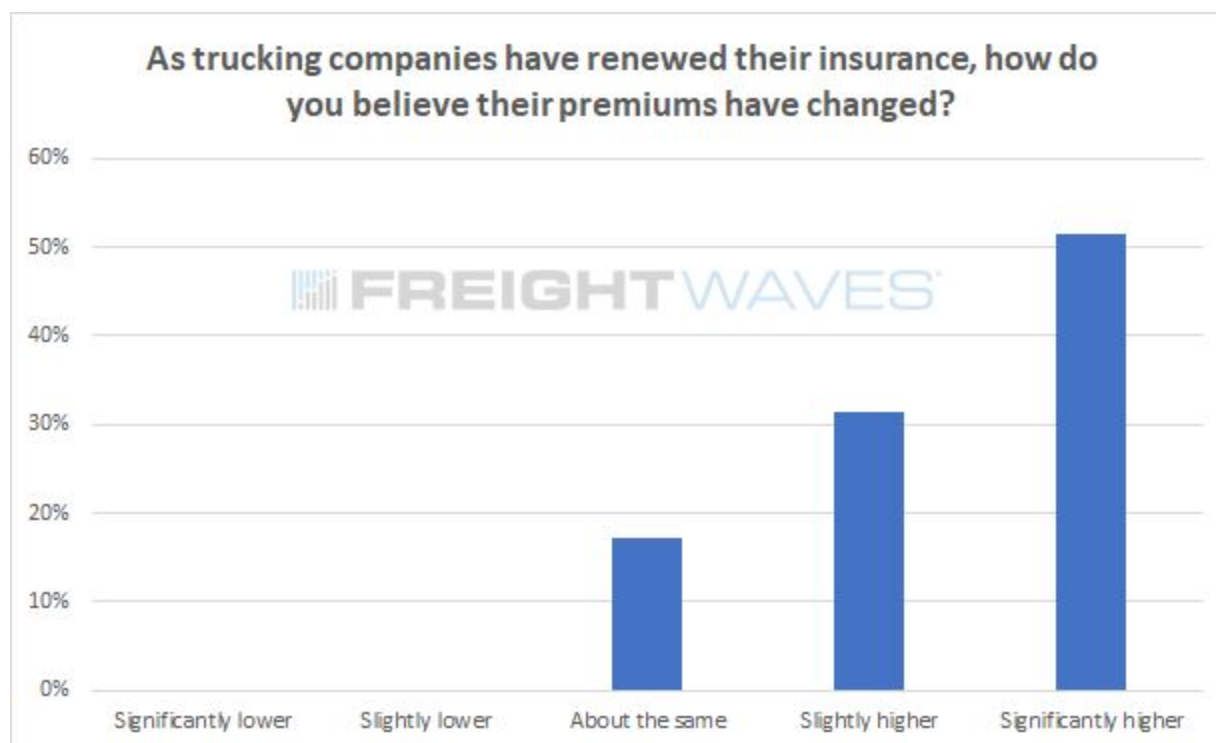
Figure 1 - Insurance Renewals Indicate a Net Contraction in Fleet Size



Source: FreightWaves July 2019 Insurance Survey, and FreightWaves Insurance Survey August 2019

- While insurance companies saw a net positive increase in fleet expansion in the first half of 2019, August slowed into a net negative.
- The insurance renewal index registered (-16) with renewals in August 2019, compared to a positive (+10) for the first half of 2019.
- The number of fleets who are expanding policy renewals dropped by 60% in August as compared to the first half of 2019.
- This is expected as paper rates (contract) and spot rates have been declining due to over-capacity and insurance rates for trucking keep rising.

Figure 2 - Insurance Premium Rates are Rising in August

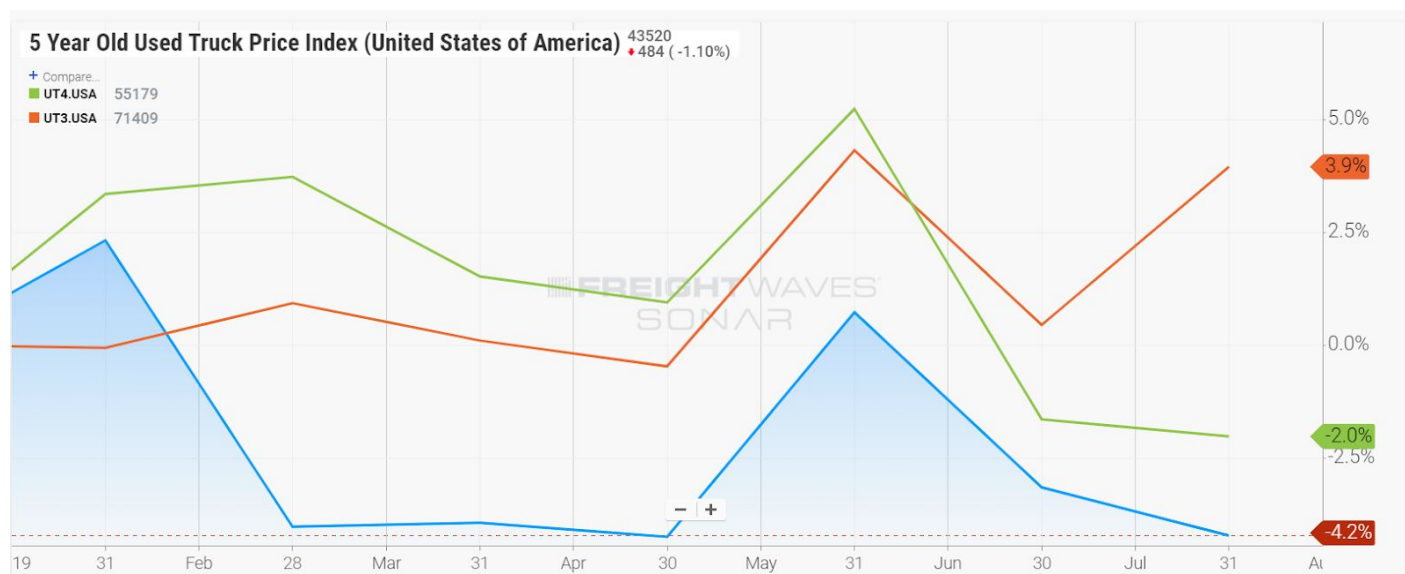


Source: FreightWaves Insurance Survey August 2019 - Change in insurance policy rates in August 2019.

- Insurance rates for policy renewals are on the rise for the trucking industry.
- More than 50% of insurance companies responding to the survey indicate that trucking insurance rates are getting “significantly higher” in 2019.
- Two of the most notable trucking failures this year where the owners specifically cited insurance costs as the primary reason are [Carney Trucking Company, a Gilbertown, Alabama-based flatbed carrier](#), and [A.L.A. Trucking, based in Indiana](#).



Figure 3 - YTD 2019 3-Year, 4-Year, and 5-Year Used Truck Value Movements

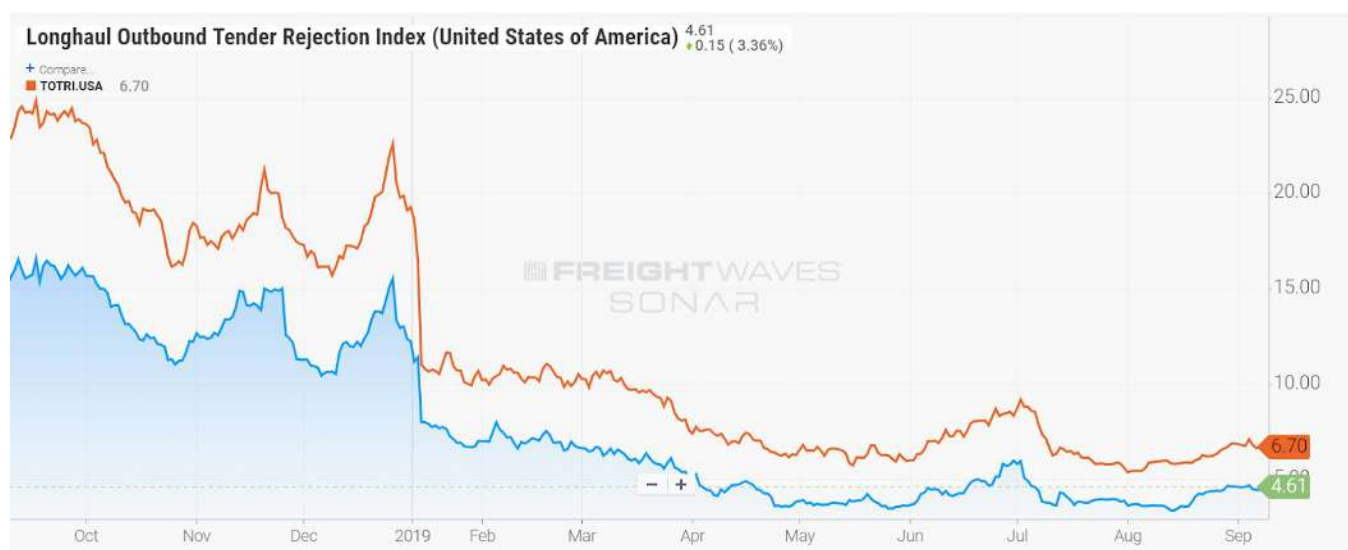


SONAR: UT5.USA, UT4.USA, UT3.USA - Year-to-date change in values.

- Used truck values have held up surprisingly well over the course of 2019. Many market observers expected to see a plunge in values as carriers sold unproductive assets as spot rates declined.
- 3-year old values are up 3.9%, while 4-year and 5-year old trucks are down 2% and 4.2% respectively since January 1, 2019.
- While values have held through the first eight months of the year, values might have begun a downward trend as June and July numbers have been flat to declining.
- With the insurance policy renewal rates going into net contraction, used truck values through the remainder of 2019 may finally take a downturn of 10% to 15% which would be equivalent to Q4 of 2017 values.



Figure 4 - Previous 12 Month Tender Rejection Rates for Longhaul and Tweener Lanes



SONAR: LOTRI.USA and TOTRI.USA - 12 month trailing rejection rates.

- Tender rejection rates (OTRI) still show no signs of recovery after the epic bull market for trucking in 2018.
- Tender rejection rates are still hovering in the mid-single digit rates for all lengths of hauls as shown in Figure 4 in long and tweener haul lanes¹.
- These rejection rates are down over 80% from its highs in the middle of 2018.
- If the current trends in insurance policy renewal data continue to hold, we expect tender rejection rates to recover slightly to high single digit/low double digit rates in Q4 2019.

¹ Tweener Haul is defined as length of hauls between 450 and 850 miles. Long-Haul is defined as length of hauls over 850 miles.