



Two years ago, finding affordable fleet insurance was a big deal in the chauffeured transportation industry. Insurers had readjusted rates and operators were facing hefty increases. While that scenario has mostly stabilized, finding the right level of insurance at a reasonable rate is still an important issue for operators.

LCT spoke with some top operators and insurance companies in the industry to find helpful information for new and established operators seeking affordable and reliable insurance for their fleets. Their advice provides wise counsel to start-up operators and a refresher for seasoned pros renewing their insurance programs.

STEP ONE:

UNDERSTAND WHAT TYPE OF COVERAGE YOUR COMPANY NEEDS

Depending upon which state and/or federal authority you report to, your coverage requirements will vary. Your agent should have this information for you and it's usually based on the passenger-capacity of your vehicles. For example, the Federal Motor Carrier Safety Administration mandates that any interstate carrier transporting 16 or more passengers (including the driver) should

a seven-step formula for getting the best insurance deal

MIX TOGETHER SAFETY,
TRAINING, AND THE
RIGHT COVERAGE FOR
BEST RESULTS

By Camella Lobo

carry a minimum \$5 million policy. According to Robert Vaughn, owner of Best Transportation in Huntington Beach, Calif., his state requires that sedans carry a policy of \$750,000 and his stretch limos \$1.5 million.

Taking into account the culture of your business is one of the most important steps in determining how much coverage you need. According to Ray Gooley of the Managing Agency Group in Hartford, Conn., you must first evaluate your company's size and determine what type of coverage will protect your business, completely.

"Don't leave yourself exposed," he says. Use good judgment. If you deal mainly in the transportation of corporate executives — CEOs, presidents, and other high-profile clients — you may want to think about increasing the limits of your policy. He asserts that operators should always try and obtain the broadest coverage possible, even if



Robert Vaughn, owner of Best Transportation, says a focus on safety and training will pay off in the long run.

it means spending a few more dollars per vehicle.

Lee Martinez, president of Transpo Insurance in Las Vegas, would agree with this assessment. “Most operators get by with the bare minimum in insurance coverage,” he says. “They don’t realize that one accident can destroy their entire business.”

They make an important point that operators should heed. An accident that exceeds the limits of a policy can render a small operator out of business. Having too little

coverage is one of the most common mistakes operators make, says Martinez. He believes the key ingredient in this insurance formula is to think of insurance more often than only when the bill is due.

“Insurance for a limousine company should be an ongoing program because the bare minimum doesn’t cover much,” Martinez says.

STEP TWO: WORK WITH A RELIABLE INSURANCE COMPANY

We’ve all heard the old saying — “If something seems too good to be true, it probably is.” The same can be applied to limousine and livery insurance. The last thing you want to do is sacrifice the protection of your business for the cheapest rate out there. The most important thing to look for in an insurance company is one that is financially reliable, meaning one that will pay for your claim.

“You may not get the cheapest rate,” says Gooley, “but at least you will be covered if something happens to one of your vehicles.”

Knowing whether or not an insurance company is reliable can be tricky. According to Barbara Curtis, owner of Two-Step Limousine in Denver, operators should know what the rating of their insurance company is before they decide to trust them with their business.

“Their rating should ideally be an ‘A’ or better,” she says.

Gooley, who agrees, says that nothing below a B+ should even be considered (your agent can tell you what their company’s rating is). He believes it is the customers’ responsibility to investigate insurers they’re considering and make sure they’re respected in the industry. If not, they are more likely to get stuck with the bill and the headache when something goes wrong.

“Ask your agent questions about the insurance company,” he says, “Listen to their full presentation. You

shouldn’t ever know more about insurance than your agent.”

Knowing about an insurance company’s claim history is another good way to determine which ones are reliable. If a company’s claim-settling process is a slow one, it probably isn’t the best choice.

“In this industry, you need a company that understands the limousine business and knows the necessity of getting your vehicle back on the road,” says Robert Vaughn of Best Transportation. Everyday that a limousine is out of commission is a day an operator loses money, he says. In this industry, a speedy claims process is one of the most important things an insurance company can offer its customers.

STEP THREE: THROW A PROFESSIONAL AGENT INTO THE MIX

Think of your agent as your gatekeeper. According to Martinez, a good agent can build a better track record for new operators by offering them everything available through his or her insurance company. Training and safety programs are some common items most insurance companies offer. Actually making use of those training modules is liable to save you money.

“If you can’t get anything out of your agent, you’re not going to get anything out of your insurance,” says Curtis. Her advice is to cultivate that connection. She also stresses making sure the agent and the insurance companies have a good relationship. A good agent will look to develop a long-term relationship with you and your insurance company.

“If the agent doesn’t have a relationship with the insurance company, he or she won’t be able to do anything for you,” says Curtis. She also believes that the best way to find a reputable agent (and insurance company) is by joining local and national trade associations. Net-

working with others in the industry at meetings and shows is another way Curtis gleans valuable information about insurance companies and agents.

You have a better chance of getting a good rate when you have a good agent that is on your side. Your agent should be

looking out for your best interest, which includes finding you the best rates while retaining policies that reflect the nature and true needs of your business. Renewing a policy for a seasoned operator should also be a great opportunity for an agent to reevaluate rates.

“Dealing with a professional agent will save you money,” says Martinez.

In turn, taking advantage of your agent’s connections will benefit your company in the long run.

Of course, new operators with nonexistent loss records are subject to higher rates. However, Martinez

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says that the right agent can help new operators develop safety programs according to where the company is located — freeways, mountainous terrain, etc. — that may help lower those premiums.

STEP FOUR: TURN IN A THOROUGH APPLICATION THAT SHOWS OFF YOUR COMPANY

The most imperative ingredient in this formula is how your company looks on an application. It's important to disclose all relevant information and to present your company in the most favorable light, including the management team and safety programs.

"Underwriters will never meet their clients," says Martinez. "They will only see them on paper." He stresses the importance of having an agent that will be able to compile all of your information in a positive light.

Gooley agrees that the more positive information you are able to furnish about your company, the better. He describes the information you provide during the underwriting process as your company's résumé. Especially for new operators, he advises having letters of recommendation to improve the perception of your company to an underwriter.



Dawson Rutter, owner of Commonwealth Worldwide, takes a proactive approach in managing his drivers.

"It's just like when you go and interview for a job," he says, "You want to present yourself in the best way possible, as a professional."

In addition to leaving your prospective carrier with a great impression of the integrity of your business, according to the insurance companies LCT talked to, using technical devices like DriveCam will boost your safety record when the underwriter pulls out the red

pen. According to DriveCam, its program reduces vehicle damages, workers' compensation, and personal injury costs by 30% to 90% in more than 50,000 commercial and government vehicles. It may save you money on insurance as well.

The management ideals of a company are also extremely influential for the rating an underwriter gives. Martinez stresses that an owner should be directly involved in his or her company's management. The more involved and onsite an owner is in his or her business, the better rating he or she will receive.

"Poor management is an insurance company's biggest concern. Owners should be managing their managers," says Martinez.

Another big factor is professionalism. Underwriters are looking for professional operators who are focused

on maintaining the credibility and safety of the industry.

"It's all about being a professional," says Martinez. According to him, running a professional and legitimate business reflects where the industry is headed.

Underwriters obviously want to see that you are a company that maintains the safety of its vehicles. Good habits, like keeping daily trip sheets and performing weekly vehicle inspections, will strengthen the reputation your company has with an insurance underwriter.

Len Capobianco, vice president of operations at Concorde Limousine in Freehold, N.J., knows this well. "We have a checklist inside the vehicle that we use during pre- and post-checks," he says. His company inspects its limousines before and after every trip. It is imperative to keep documentation of vehicle inspections as evidence to underwriters that your vehicles are held to the utmost standards in maintenance.

Curtis says, "Start good habits at the beginning."

STEP FIVE: KNOW WHO YOUR CHAUFFEURS ARE

Your entire company is in jeopardy every minute even one single unreliable chauffeur is behind the wheel. Thorough background checks are absolutely imperative to the security of your operation. Comprehensive state and national background checks are available through the DMV and various professional investigative services. Having a driver with a poor record is something underwriting doesn't take lightly.

At LCT's recent Eastern Conference, Dawson Rutter of Commonwealth Worldwide, based in Boston, emphasized rigorous hiring practices to ensure your company is building the safest and most professional staff possible. He suggested giving prospective drivers a pre-hire driving test.

Curtis of Two-Step gives her drivers both a written test and a road test before she makes a decision. "You shouldn't hire drivers with a bad driving record, period," she says.

According to Capobianco, Concorde doesn't hire anyone with a questionable record.

Mark Mazza of Transportation Insurance Placement Service

(T.I.P.S.), recently speaking at the LCT Eastern Conference, stressed performing drug and alcohol testing of current drivers on a regular basis. He says underwriters look favorably on this as well. Not only will it save you money on your premium, but also may save your company in the long run.

A company that takes an active interest in the people they employ is another big plus to an underwriter reviewing an application. Martinez says a company that documents disciplinary measures taken with its employees and has an employee manual is likely to do well in

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5 WAYS UNDERWRITERS LOOK AT LIMOUSINE OPERATORS

There are five primary factors that Transpo Insurance's underwriters usually take into consideration when evaluating a possible customer, says Lee Martinez, president.

FACTOR 1: YOUR COMPANY

- Where is the company located and how long has it been in business?
- What type of management does the company have in place?
- Is the company professional?

FACTOR 2: YOUR MAINTENANCE PROGRAM

- Does the company maintain its own vehicles?
- How often are its vehicles inspected?

FACTOR 3: YOUR CHAUFFEURS

- Does the company perform thorough background checks?
- What disciplinary measures are taken with chauffeurs?
- Does the company have an employee manual?

FACTOR 4: YOUR VEHICLES & CLIENTS

- What types of vehicles is the company operating?
- What kind of traveling is the company's clientele doing?
- Who are its clients?

FACTOR 5: YOUR REPUTATION

- What is the company's loss record with prior carriers?
- Is the company a "good account"?

the underwriting process. Companies that don't perform thorough background checks and are not directly involved with their chauffeurs pose more of a risk to an insurer. This rationale is simple. Owners that have more of a presence among their staff usually have more compliant and better-trained employees, thus fewer accidents.

STEP SIX:

MONITOR YOUR LOSS RUN

Operators may not like it, but the loss run is a critical factor for insurance companies accepting you as a client and for determining your annual premiums. While you may not be able to control your loss results today, you should stay on top of this report and work with your insurer to improve your rating.

This one is a biggie. There is really no getting around your company's loss ratio. Proving that your company can be trusted is the biggest obstacle in getting affordable and reliable coverage. Convincing an insurer that your company deserves a great rate can be quite a daunting task, especially if it has a record of prior losses. The loss ratio record stays with your company for years.

The type of vehicles you operate affects your loss run and your overall underwriting status. For example, insurance companies take into account that an accident involving an eight-person stretch limousine is going to put them more at risk than one that involves a four-person sedan. Obviously, vehicles with larger passenger-carrying capacity simply cost more to insure. It's all in the math.

"Saving money is all about your loss run," says Capobianco of Concorde Limousine.

Although there is a huge focus on a company's loss record, Gooley says it is still important to report any liability claim, whether or not you are at fault. He has dealt with many cases in which operators involved in what seemed a minor fender bender were later faced with enormous lawsuits.

"Someone involved may develop an injury from the accident over time and then come back to the company to collect for all of the chiropractic bills they've accrued. At that point, how do you prove it wasn't your chauffeur's fault?" he says.

However, not everyone agrees with Gooley's perspective. Some operators, like Curtis, create reserves for losses that fall below her company's deductible or to pay for minor claims like windshield damage or at-fault fender-benders. Rutter also recommended that operators pay for small claims in order to keep records clean and premiums down.

STEP SEVEN:

TOSS IN A BIT OF TRAINING, AND THEN SOME MORE

Utilizing consistent training programs is the biggest move you can make to run a safe operation that insurance carriers consider "a good account," says Martinez.

One of the first things an underwriter looks for when writing a policy is your training program. Basically, you can never give your chauffeurs too much training.

"Focusing on safety and training will keep your losses to a minimum and will pay off in the long run," says Vaughn of Best Transportation.

Most operators LCT spoke with encouraged their peers to take advantage of the safety and training programs offered by their insurance carriers. Insurance companies invest a lot of time and money in safety programs and seminars designed to keep their customers in a constant state of awareness when it comes to enforcing a safe operation.

"The purpose of insurance is not just to comply or control losses — it's about education," says Martinez.

Capobianco of Concorde uses his company's Drive-Cam footage to train and retrain his chauffeurs. The company also focuses on additional training for drivers of larger vehicles. "You should do the best you can to make sure you have an active program in place and one that is clearly outlined," he says. **LCT**