



The following article concerning insurance coverage appeared last March of 2015. The towing industry is much like the trucking industry throughout the country. We should start thinking about our insurance and asking ourselves if we have enough coverage.

A Call for Higher Insurance Minimums in the Trucking Industry

The topic of liability insurance requirements in the trucking industry has caused lots of debate recently, as many argue that a hike in minimum insurance coverage for motor carriers is long overdue. Currently, motor carriers that transport property in the U.S. are required by law to have at least \$750,000 in general liability insurance to cover bodily injury and property damage in the event of an accident. These current levels of minimum financial responsibility required for truckers were set by the [Motor Carrier Act of 1980](#), and have not changed in the 35 years since they were established. These minimums may have been appropriate at the time in which they were established, however a combination of inflation, rising medical costs and other factors have rendered insurance minimums in the trucking industry obsolete.

In this post, we discuss the controversial argument for and against raising insurance minimums for freight-carrying truckers.

What Are Insurance Minimums in the Trucking Industry?

In the trucking industry, an insurance minimum refers to the minimum amount of insurance coverage that a trucker or trucking company is required to carry in order to operate legally. The current level of financial responsibility (\$750,000 for bodily injury and property damage) is intended to protect and compensate individuals who are injured in the unfortunate event of a catastrophic truck accident. In addition to compensation, minimum insurance coverage plays many other important roles in the trucking industry, especially with regard to safety.

Why Raise Minimum Insurance Levels for Truckers?

Upon first thought, one might ask: “why raise the minimum insurance levels if they are already at \$750,000?”. That is a good question, and is worth an explanation.

For starters, it is important to remember that the current minimum insurance requirements were set in 1980 and were intended to cover the expense of damages associated with truck accidents at that time. One must consider the fact that there has been 35 years of inflationary effects between now and the time when the last insurance minimums were set. According to a [report](#) by the Federal Motor Carrier Safety Administration (FMCSA), \$750,000 in 1980 would equate to over \$4.4 Million dollars today, after adjusting for inflationary effects and the change in the medical consumer price index (MCPI) which takes into account the disproportionate rise in medical expenses compared to the rise in the core consumer price index (CPI). As a result, the current minimum insurance requirements are often not sufficient enough to cover all of the medical expenses and other costs associated with catastrophic truck accidents. Although catastrophic truck accident may not be as common as less severe truck accidents, the [injuries](#) and damages involved are often much worse. Ultimately, current insurance minimums result in many victims of catastrophic truck accidents not receiving proper compensation for the damages that they have suffered.

Insurance Costs as an Incentive for Safety

In addition to compensating injured motorists, liability insurance is typically used as a safety incentive to prevent [car accidents](#) involving large trucks. In fact, one of the main reason for establishing insurance minimums in the first place was to raise the bar for entry into the trucking industry. In other words, truckers who are not able to afford a certain level of insurance would not be able to afford routine equipment inspections and the proper maintenance that is required to operate a commercial vehicle safely. Additionally, like regular car insurance, premiums for truck operators and motor carrier companies with a safe driving records are typically much lower than the premiums for those with less than optimal driving records. Ultimately, insurance premiums encourage truck drivers to maintain safe driving habits, while providing trucking companies with an incentive to seriously consider driving history and other safety factors when hiring truck drivers. Unfortunately, the current levels of financial responsibility no longer provide an incentive for safety as many companies are fine with paying for premiums associated with \$750,000 of coverage, and can often afford an increased premiums associated with dangerous driving.

Opposition to Increased Insurance Minimums

While the need for increased insurance minimums in the trucking industry is obvious, there are some who argue that the current levels of minimum coverage should be maintained. Specifically, many smaller trucking companies argue that an increase in insurance minimums would put them out of business, resulting in a consolidation of the trucking industry as a whole. With less players in the industry and less competition (or less companies), an increase in freight pricing could be possible.

On the other hand, many large trucking companies are actually in favor of higher insurance minimums, as larger companies already pay much more than the minimums already. Additionally, a consolidation of the trucking industry would most likely benefit the larger trucking companies by providing economies of scale and other benefits associated with consolidation.

Economic Advantages vs. Public Safety

Although the argument for maintaining the current insurance minimums is understandable, and many of its points may be true, it is based on a prioritization of economic advantages over the safety and wellbeing of motorists throughout the country. Furthermore, it is not guaranteed that a consolidation of the trucking industry would cause prices to rise, and it could even benefit the American consumer. Regardless of the economic consequences of higher insurance minimums, the safety of the American people should be the number one consideration here.

As you can see there are many different ways to look at this issue however you cannot argue the fact that the cost for everything around us continues to go up. Do you have enough insurance coverage? Maybe it's time to raise the limits of your insurance policy.

Take advantage of getting a quote from anyone of our associate members.