

## Reinsurance Market and Pricing, Minimize the Impact

As we move forward to the warm summer months, many of you will be experiencing insurance renewals. It is essential that you are aware of what is transpiring in the motor coach insurance marketplace so that you can be prepared for what is likely to happen. We are all aware that insurance pricing and availability in the primary market has become quite volatile over the last several years...that is likely to continue for the foreseeable future. It is important that the news...good or bad...be conveyed with enough lead time to be able to plan for what is going to happen...communication with your broker is crucial.



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The next significant issue on the horizon involves the ability to obtain Excess coverage...also known as Umbrella Liability. In general terms, this is relevant for those operators that choose to carry limits of liability above those that are mandated by the FMCSA. In many cases, your customers might require that total limits of \$10,000,000, or higher are mandatory in order for you to be considered an "approved" contractor for these customers. School districts certainly fall into this category along with others. The ability to obtain Excess coverage has not been a major issue in recent years...it certainly is now. It is also a factor for those operators whose primary insurance carrier is either unwilling or unable to offer the full \$5,000,000. Combined Single Limit required for vehicles with a passenger capacity of 16 or more. Further, Excess carriers who have remained in the market are now less willing to offer the limits they have previously provided. This necessitates "layering" of those higher limits...finding several carriers to provide coverage that one carrier previously provided.

The availability of higher limits of liability is impacted by the reinsurance market...the carriers that insure your insurance company against catastrophic claims. Over the last several years, the number of claims that have penetrated primary layers has exploded due to our legal climate, venue of operations/losses and other factors. This has resulted in many carriers who previously considered providing these higher limits to dramatically increase their premiums or, in other cases, simply withdraw from offering the coverage at any price. In today's world, one single claim can exhaust the primary coverage and several Excess layers...and along with it, multiple years of premium. The pricing of higher layers leans much more heavily on the cost of underlying or primary coverage than it ever has...if your primary premiums increase, that will have an impact on the Excess layers.

In order to receive the most favorable pricing available, normal common sense and risk management habits must be the rule. Hiring and training qualified drivers, maintaining favorable SAFER scores, establishing professional maintenance protocols and assuring federal compliance are more important than they have ever been. Strong and consistent enforcement of driver discipline and company regulations is more important than ever. Zero tolerance for the use of cell phones while operating a motor coach is critical.

Realistic renewal expectations should be conveyed to you by your broker with significant lead time in order to prepare you and your operation for the ever evolving insurance climate. Unfortunately, even if you have not sustained losses that have perforated your Excess layer, you will still be paying for the sins of others...and you must be aware and prepared.

- [Peter R. Cohen](#), The Capacity Group, an EPIC company