

April 26, 2017

The Honorable Thomas McClain Middleton
Chairman
Senate Finance Committee
Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401

The Honorable Dereck E. Davis, Chairman
House Economic Matters Committee
House Office Building
6 Bladen Street
Annapolis, MD 21401

Dear Chairmen Middleton and Davis,

As required by Chapter 208 of the Acts of 2015 and in accordance with § 2-1246 of the State Government Article, I am pleased to submit for your review the Department of Labor, Licensing and Regulation's Final Report from the Workgroup to Study Accessibility, Affordability, and Availability of Commercial Motor Vehicle Insurance for Entry-Level Truck Drivers.

This Final Report includes recommendations on how to make commercial motor vehicle insurance for the motor carriers more available, accessible, and affordable. The Department has begun implementing many of these recommendations and is working with stakeholders to create additional opportunities for the state's trucking industry employers.

Thank you for your time and consideration of this report.

Best Regards,



Kelly M. Schulz
Secretary

Cc: Department of Legislative Services
Committee members

**Report to the
Senate Finance Committee**

and

House Economic Matters Committee

on the

**Workgroup to Study
Accessibility, Affordability and Availability
of Commercial Motor Vehicle Insurance for
Entry-Level Truck Drivers**

PURPOSE

During the 2015 legislative session, Senator Thomas McLain Middleton, Chairman of the Senate Finance Committee, hosted a series of meetings that brought together key stakeholders. The stated purpose was to gain a better understanding the challenges facing the trucking industry in hiring entry-level commercial driver's license (CDL) drivers.

Participants included the Maryland Motor Truck Association, Maryland Department of Labor, Licensing, and Regulation (Maryland Department of Labor), Maryland Insurance Administration, Maryland Department of Transportation (Port Administration and Motor Vehicle Administration), Maryland Automobile Insurance Fund, trucking companies that offer services at the Port of Baltimore, various colleges that provide CDL driver training, and several representatives from the private insurance industry. Meeting participants reviewed survey responses from trucking companies seeking to hire additional drivers and job placement data from the CDL training schools. Insurance industry representatives discussed some of the criteria used to underwrite trucking company insurance policies.

After considerable discussion, Senator Middleton initiated a further exploration of the availability, accessibility and affordability of insurance for new entrant CDL drivers, which led to Senate Bill 910 (Chapter 208, Acts of 2015) and the formation of this workgroup. The law required the Maryland Department of Labor to conduct a study of the availability, accessibility, and affordability of commercial motor vehicle insurance for motor carriers who want to hire entry-level truck drivers and required the work group to make recommendations on how to make such insurance more available, accessible, and affordable.

In conducting the study, the Maryland Department of Labor may consult with (a) various State agencies related to insurance and transportation; (b) institutions of higher education, entities related to higher education, and training schools; (c) the motor carrier industry; and (d) the motor vehicle insurance industry and producers. The law further stipulated that the Maryland Department of Labor shall examine a range of issues related to the availability, accessibility, and affordability of commercial motor vehicle insurance.

On December 1, 2015, the Maryland Department of Labor submitted an interim report to the Senate Finance and House Economic Matters Committees identifying the need to further study this issue.

BACKGROUND

"The trucking industry is the lifeblood of the U.S. economy. Nearly 70% of all the freight tonnage moved in the U.S. goes on trucks. Without the industry and our truck drivers, the economy would come to a standstill. To move 9.2 billion tons of freight annually requires nearly 3 million heavy-duty Class 8 trucks and over 3 million truck drivers ... Simply - without trucks, America stops."¹

According to the Maryland Motor Truck Administration, one in nineteen jobs in Maryland are trucking industry-related, and wages exceeded \$5.48 billion (averaging more than \$51,000 annually). Most of these companies are small, locally-owned businesses that transport over 400,000 tons per day. More than 93% of Maryland communities depend exclusively on trucks

¹ http://www.trucking.org/News_and_Information_Reports_Driver_Shortage.aspx

for their goods, meaning they have no other way to get the products they need.²

Our nation faces a serious, emerging shortage of qualified commercial truck drivers. The American Trucking Associations estimates that the national driver shortage, which is currently about 48,000, will grow to over 175,000 by 2024. The trucking industry will need to recruit an average of 89,000 new drivers every year to keep pace with the demand for drivers. This shortage will be exasperated in Maryland with anticipated expansion of the Port of Baltimore. In addition, the completed expansion of the Panama Canal has already started resulting in more business coming through the Port. In 2016, the Port brought in more than 10 million tons of cargo for the first time. The Port also reported a 5% increase in cargo from 2015 and a 3% increase in containers.

The Port has mounting concerns that the trucking industry will not be able to meet its freight demands. Significant investment in improvements and expansion at the Port is directly linked to the expansion at the Panama Canal, which doubled the Canal's capacity.

Factors Driving Up Demand at the Port of Baltimore

The Port is a critical economic engine for the State supporting 13,650 direct jobs. The trucking sector accounts for 30% of this total and is essential to deliver the international cargo that transits the Port's docks. Volume has continued to grow with recent import records set in container, auto, and ro-ro commodities. Within the container volume itself, 95% of this cargo is delivered via truck. In 2016 the Maryland Port Administration's cargo grew 4.5% year-over-year, which set a new record of over 10 million tons of general cargo. This trend is expected to continue as the data for the first two months of 2017 show an additional 5.3% growth.

Global Shipping Dynamics

Ocean carrier services continue to evolve with the following notable changes in recent years:

- o Ocean Carrier Consortiums - To further reduce operating costs, ocean carriers have pooled assets to drive down the operating and capital costs to service multiple trade lanes. In 2015, Maersk joined MSC to create 2M, the largest ocean carrier alliance in the world. The Port benefited directly from this alliance with 2M offering service on three new trade lanes.
- o Panama Canal Expansion - In June 2016, maximum vessel size for canal transit increased from 4,500 twenty-foot equivalent units (teus) to over 13,000 teus. Baltimore is only one of four ports on the East Coast that can accommodate such vessels. Evergreen is already planning to increase existing vessel size from 4,200 teus to 8,000 teus and their alliance partners within CYKHE have indicated strong desire to enter this market.
- o Suez Canal Impact - With Far East manufacturing shifting further to the West, viable Suez services with vessels as large as 9,200 teus are already calling the East Coast including Baltimore. This resulted in significant growth by the 2M Alliance.

² <http://www.mmtanet.com/truck-facts.php>

Baltimore Development

Major impacts to region and potential freight flows:

Tradeport Atlantic (TPA, formerly Sparrows Point Terminal) - Recognized as the largest and most exciting industrial site on the East Coast, their vision outlines a deep water marine terminal, manufacturing facilities, and 12.5 million square feet of distribution & transload centers on their 3,100-acre footprint. This will drive additional container growth through Seagirt and anticipate an Economic Impact study from TPA to outline the same.

Howard St. Tunnel FASTLANE Grant

Expansion of the Howard Street Tunnel would allow double stack rail service through the Port. The Maryland Department of Transportation, in partnership with CSX submitted a grant request to United States Department of Transportation to make improvements to the Howard Street Tunnel to allow double stack containers to move from Seagirt to the west via rail. This improvement is anticipated to bring additional cargo ships to Baltimore, which will increase the demand for trucking also.

International shippers require economies of scale in their supply chains and double stack rail will afford them a single-entry gateway to expand the serviceable area for local and hinterland destinations. The Port of Baltimore currently loses cargo to other ports for this reason.

Even though the application received the highest grade on all seven criteria areas, the grant request was not selected during the first round of applications, because two other large awards were made in the Mid-Atlantic. The grant request was updated and submitted for the second round in mid-December 2016. The new administration is in the process of evaluating this program.

WORKGROUP MEETINGS

Organizational Meeting

Date: June 16, 2015

Location: Maryland Department of Transportation Headquarters

Discussion points included the structure of workgroup, mapped out workgroup goals and a schedule of meetings. The workgroup would consist of the following nine individuals:

- o The Honorable Thomas McLain Middleton, Chair, Senate Finance Committee
- o The Honorable Sally Jameson, Vice Chair, Economic Matters Committee
- o Louis Campion, President, Maryland Motor Truck Association
- o Mark McCurdy, Esq., Executive Director, Maryland Automobile Insurance Fund
- o Sandra Dodson, Senior Manager, Maryland Automobile Insurance Fund
- o Jeff Tosi, Director of Government Affairs, Maryland Department of Labor
- o Philip Dacey, Director of Government Affairs, Maryland Department of Transportation
- o Tina Durborow, Director of Transportation Training, Cecil College
- o Mary Beth McCollum, CPP, Director, Center for Transportation Training, College of Southern Maryland

MEETING # 1

Date: July 8, 2015

Location: Cecil College, Elkton, Maryland

Workgroup Attendees: Senator Middleton, Delegate Jameson, Jeff Tosi, Philip Dacey, Mark McCurdy, Sandra Dodson, Mary Beth McCollum, Tina Durborow, Louis Campion,

Guests: Jim Ward (DM Bowman, Inc.), Maria Wittmeyer (Burris Logistics), Chris Antonik (Delaware Tech) and John W. Manfredi (Manfredi Logistics)

Representatives from Cecil College gave the workgroup and guests a 30-minute overview of the truck driver simulator purchased with EARN grant funds in 2014³. Following that presentation, representatives from the trucking industry participated in a roundtable discussion with the workgroup.

During the roundtable discussion, the workgroup discussed the training that entrant drivers go through at two of Maryland's community colleges, and how they are starting to use simulator technology as an enhanced training tool. The motor carrier representatives discussed their hiring practices, training they provide for new entrants, and how they've worked with their insurers to be able to bring on new entrant drivers.

Significant points brought up during this meeting:

Validation Study -- a five-year study found that students who used a simulator in conjunction with on-the-road training scored 89.4% on *average*, while students who did not have a simulator (on-the-road training only) scored 89.6% on *average*. The conclusion is that incorporating a

³ <http://www.dlrr.state.md.us/eam/>

simulator into commercial driver's license (CDL) training takes inexperienced student drivers off the road while still training them.

Mr. Ward broached the subject of making technology more available to monitor truck driver behavior (Progressive Insurance's "Snap Shot" program was used as an example). He also discussed DM Bowman's in-house "finishing program" (which is similar to Burris Logistics' "finishing program" and used by some large truck operations to train drivers.

Senator Middleton summarized the discussion to that point:

- o Large Trucking Companies: can afford to train new drivers in-house, and can self-insure or carry very high deductibles.
- o Medium Sized Trucking Companies: can do some in-house training, have limited ability to self-insure.
- o Small Trucking Companies: cannot train new drivers in-house, cannot self-insure.

Senator Middleton asked MAIF representatives if it was possible for MAIF to be able to add commercial cargo insurance to their repertoire. MAIF representatives responded that it would depend on a number of factors, but signaled that it may be possible.

Ms. Wittmeyer discussed Burris Logistics' commitment to entrant drivers:

- o They belong to an insurance "captive" (which is similar to group self-insurance).
- o "Yard jockey" program - rookie drivers spend the first three months only driving on the facility, not on the open road. They graduate to driving tandem with experienced drivers, gradually increasing driving time with each day and trip.
- o Negative perceptions of the industry are forged. Because smaller companies cannot afford to hire large swaths of new drivers, they often are forced to work for large scale companies. The workload and lifestyle driving for one of these companies is much different than for a small carrier, which frequently turns drivers off from the industry.

MEETING # 2

Date: September 2, 2015

Location: Maryland Department of Transportation HQ

Workgroup Attendees: Senator Middleton, Delegate Jameson, Mark McCurdy, Mary Beth McCollum, Tina Durborow, Louis Campion, Jeff Tosi

Guests: "Jay" Clinton Duke (IIAM), Ed Dickerson (RPS/Tristate), Julie Scholle (Progressive Insurance Company), Jack Andryszak (Popham & Andryszak, representing AIG), Bryson Popham (Popham & Andryszak, representing Progressive, RPS, IA&B), Brett Lininger (Semmes, representing Independent Insurance Agents of Maryland), Dennis Shinault (Protective Insurance Company), Carl Malm (Protective Insurance Company), Eric Goldberg (American Insurance Association), Linda McCann (Bay Shore Insurance), Jason Hall (Commercial Lines, Underwriting and Product Manager)

At this meeting, the workgroup listened to insurance industry representatives discuss their take on the perceived lack of insurance companies willing to take on the risk and costs associated with insuring entrant truck drivers as well as reasons for the high cost of insurance for entry-level truck drivers. Among the questions asked included:

- o What factors do you consider in underwriting, including the impacts of driver age and experience?

- o What has your experience been with new entrant CDL A (tractor-trailer) drivers in the past? Have you worked with your customers before to allow them to bring on small numbers of new entrant CDL A drivers? If so, have you placed any structure on that in terms of training requirements, mileage limits, age, etc.?
- o Do you give any weight to experience a driver might have operating a CDL B (straight truck) vehicle?
- o Are there any other suggestions that you might have for helping solve this challenge as the employment needs are coming to a head?

Based on feedback at this meeting it was identified that the primary challenge in insurance availability for companies seeking to hire new entrant CDL drivers seems to exist among those companies operating 6 to 100 trucks.

MEETING # 3

Date: October 5, 2015

Location: Maryland Department of Transportation Headquarters

Workgroup Attendees: Senator Middleton, Mary Beth McCollum, Tina Durborow, Louis Campion, Jeff Tosi, Philip Dacey, Sandy Dodson

Guests: Craig Talbott (Vice President of Safety, Maryland Motor Truck Association), Mary Keller (EARN Maryland program administrator).

Other Attendees: Bryson Popham (Popham & Andryszak, representing Progressive, RPS, IA&B), Jack Andryszak (Popham & Andryszak, representing AIG), Ed Dickerson (RPS/Tristate)

The discussion at this meeting was split into two topics: a discussion on federal law and rules (and the extent to which federal law may preempt States from having full autonomy to address this problem) and an overview of the EARN Maryland program.

Federal Law Overview

Questions and discussion points brought up during this meeting include, but were not limited to:

- o The 21-year-old age limit to driving CDL vehicles in interstate commerce.
- o "Airmile" allowance of 300 miles. Whether it is feasible to permit drivers under the age of 21 to operate interstate, across state borders within a 300 airmile limit. This is currently prohibited by federal law.
- o TWIC (Transportation Worker Identification Credential) for hauling goods in and out of the Port of Baltimore. Issued by the Federal Transportation Security Administration, a division of the Department of Homeland Security. Problems centered around an individual's ability to qualify for a TWIC card if the person has a criminal history. This is an added complexity to the overall workforce problem, but does not relate to the insurance piece specifically.
- o Split filing. Under Federal law trucking companies must file a declaration of insurance with the U.S. Department of Transportation. Companies may layer insurance policies to meet the minimum coverage limits required by law, but they do not appear to be able to split coverage (use different insurance companies to provide coverage to different drivers within the company's fleet).
- o Further discussion around creating a Graduated Licensing Program similar to how Maryland (and many other states) is required to train new drivers.
- o Does an apprenticeship program specifically designed for the trucking industry exist?
- o Senator Middleton asked whether gender or marital status factor into insurance rates for entry-level CDL drivers?

- o A representative of the insurance industry asked if there is a way to find out what are the accident rates in Maryland versus other states.
- o Is severity or frequency (of accidents) the biggest problem?
 - Ed Dickerson indicated that frequency is a bigger problem than severity for new CDL drivers.
- o Has an existing graduated licensing program had an effect on insurance rates for younger drivers? Are there any studies available that would show trends?
 - No comments on this, and it would need to be investigated.
- o If a finishing program is created, how long would the trainee need to spend in the program before he or she is considered qualified in the eyes of the insurance industry?
 - Six months was one answer, but insurance industry representatives opined that it would really depend on the program structure.
- o Ed Dickerson asked the two workgroup members how much it would cost each of their students/trainees to go through their respective COL training programs?
 - Tina Durborow: \$3,800/trainee; Mary Beth McCollum: \$4,200/trainee.
- o Senator Middleton asked if any other states have a state-sponsored finishing program.
 - The workgroup members and meeting guests were not aware of one.
- o Senator Middleton asked about insurance pooling.
 - Louis Campion advised that this is similar to creating an insurance captive or group self-insurance (which was discussed during the second meeting).

EARN Maryland Program Overview

- o Targets low-skilled, low income individuals, who are sometimes homeless and who often lack of soft skills, and puts them on a career pathway. Focus is on "upskilling."
- o The program is flexible on funding, has created a robust list of private sector partners, and has developed a recruitment strategy.
- o The program is focused on growing existing partnerships, not recruiting new ones.
- o The program staff receives quarterly reports from each recipient.
- o Senator Middleton asked what was the maximum grant allocation?
 - o Mary Keller responded: \$150,000 average, \$450,000 maximum. Solicitation: minimum of five employers.

MEETING # 4

Date: June 8, 2016

Location: DM Bowman Headquarters, Hagerstown

Workgroup Attendees: Senator Middleton, Delegate Jameson, Mary Beth McCollum, Tina Durborow, Louis Campion, Jeff Tosi, Alex Shull (Maryland Port Administration), Sandy Dodson

Guests: Mark Laurusevage (Great West Casualty Company)

Other Attendees: Jim Ward (President and CEO of DM Bowman), Barry Ward (Director of Risk Management and Safety, DM Bowman), Sarah Street (Recruiting Manager, DM Bowman)

The purpose of this visit was for the workgroup members to learn more about DM Bowman's internal finishing program. Jim Ward began the meeting by giving the workgroup members background on how DM Bowman arrived at the conclusion that it needed to establish an internal finishing program.

1980's, the pool of drivers began to shrink (similar to the problems the industry is facing today). The idea of a finishing school evolved into a public-private partnership, with some state funding

contributing to the establishment of DM Bowman's program. Also, Hagerstown Community College, Somerset (PA) Vocational School and James Rumsey (WV) were involved as well.

Program Details:

- o DM Bowman currently has about 400 units.
- o They have cameras on every truck. They manage behavior because behavior is critically important to the outcome of an "occurrence" (an accident).
- o They have quarterly claims meetings (internally) and an annual claims budget.
- o Their operation is much more sophisticated than smaller operations because they have the financial resources to devote to this part of the business.

General conversation amongst meeting participants about the issues at hand:

- o Senator Middleton mentioned that MAIF may be able to fill the role of insuring the deductible on high-deductible coverages.
 1. Mark Laurusevage stated that Great West offers a \$250,000 deductible.
- o Mark Laurusevage made two points about the discussion taking place:
 1. the whole idea of reduction in cost of insurance is an underwriting issue. It is not so much the schools, as it is the finishing program. Schools (community college CDL programs and private college programs) can only take the new entrant driver so far.
 2. Claims are costing significantly more now than they did even five years ago. So there is an element of tort reform that needs to take place (may be more of a national issue, than a Maryland-specific solution).
- o Mark McCurdy asked if there is even a problem with availability.

Barry Ward began the power point presentation about DM Bowman's finishing program. The program costs about \$7,000 per trainee. Trainees are accepted both straight out of CDL school or who have not received a CDL yet. Costs includes trainer and trainee compensation, insurance costs, food, etc.

Questions and answer during the presentation included the following:

- o Louis Campion asked what is the ratio of applicants to hires:
 - 15:1. DM Bowman receives literally hundreds of applicants each week, and they typically accept between 20-30.
- o Senator Middleton asked if a criminal background check was done on applicants.
 - Mary Beth McCollum: no
 - DM Bowman: yes
- o Senator Middleton asked how many other companies do what DM Bowman does?
 - Most, if not all, top 300 trucking companies nationally.
- o Senator Middleton asked if anyone had any knowledge of the types of companies that Progressive insures.
- o Senator Middleton suggested that it may be appropriate for the State and private sector to collaboratively design a finishing school like what DM Bowman created.

Mr. Ward continued the presentation by identifying their "Super Solo Program". DM Bowman hires retired drivers as trainers, all the trainers do is train new drivers. Trainees ride in tandem with the trainer, they graduate to increased levels of responsibility, and they need to pass a final road test.

- o Senator Middleton thought it would be a good idea to explore the creation of a

collaborative program to design a finishing school like the one DM Bowman created. One significant challenge identified by both the insurance and trucking industries is that a finishing program must replicate a trucking company's real world operations (eg. Time of day for deliveries, loading and unloading, etc.) to be effective.

- o Mark McCurdy asked what is DM Bowman's retention rate?
 - high, they require a 1-year agreement.

After the presentation, Louis Campion discussed the New Hampshire Apprenticeship Program. It is a cooperative of six trucking companies. It is a two-year program consisting of four phases for the apprentices and has a sliding (increasing) income scale. Additional questions and discussion points that were raised:

- o Mark Laurusevage:
 - Is there a way to model the training program after DM Bowman's program?
 - How can the program replicate a driver's real world experiences?
- o Senator Middleton asked if underwriting information is proprietary
 - Mark Laurusevage – can provide general info, but part of it is proprietary.

MEETING # 5

Date: August 5, 2016

Location: Maryland Department of Transportation Headquarters, Hanover, Maryland.

Workgroup Attendees: Delegate Jameson, Mary Beth McCollum, Louis Campion, Jeff Tosi, Sandy Dodson

Guests: Julie Scholle with Progressive Insurance Company

Other Attendees: Bryson Popham (representing Progressive Insurance Company)

The purpose of this meeting was to circle back to some discussions that took place at prior meetings and to sharpen the discussion points and ideas on how to bring a resolution to the affordability, accessibility and availability of commercial motor vehicle insurance for entry-level truck drivers.

Discussion started with Louis Campion reintroducing the idea that the target market for new entrant drivers should be companies with a fleet between 20-100 trucks. Mr. Campion reintroduced for discussion the New Hampshire Apprenticeship Program. To date, 30 drivers had enrolled. The program was created as the result of a task force, but one noticeable defect was that the insurance companies had very little role in developing the program.

Delegate Jameson asked if it is envisioned that whatever program is developed would be in collaboration with the Community Colleges?

- o It could be a component, but not necessarily a requirement.

Bryson Popham asked if Julie Scholle could give her opinion of how the presence of a finishing program may be a factor in underwriting new drivers.

Julie Scholle

If it is a proven mechanism. it will be data driven. Insurance companies write liability, not cargo. Progressive can negotiate costs. Contracts routinely get renegotiated every 24 months. Insurance companies will always need to maintain a certain loss ratio.

Louis Campion made the point that inexperienced drivers typically do not have "catastrophic" claims.

Julie Scholle responded that it is fair to say that it is "more likely" (for new entrant drivers to not have massive catastrophic claims) but there are also larger limits to consider (federal level) and any claims can affect the layers of insurance coverage.

Louis made the point that more than 99% of claims do not hit the limits – this is an opportunity to reduce the risk to traditional insurance.

Julie Scholle (regarding layered insurance):

1. Same underwriting criterion (accepting responsibility affects all layers of coverage)
2. Gets more parties involved
3. Progressive: cargo limits up to \$250,000.

Delegate Jameson asked if there are separate policies for cargo/liability.

- o Julie Scholle: rare

Sandy Dodson offered that it may be worth considering if there is a way to limit the type of cargo that is exposed to higher insurance rates.

- o Any way to limit the types of cargo that insurers are exposed to?
 - Containers are mixed loads with different types of cargo.

Louis Campion reintroduced the federal interstate limits, and whether it is worth exploring a change at the federal level to allow for interstate travel (300-mile radius). There was consensus that this is worth exploring.

Louis also informed the workgroup that, by 2017, virtually every truck will be equipped with an electronic logging device to monitor driver hours of service.

Louis also pointed out that, while the insurance companies were not included in the development of the New Hampshire apprenticeship program, they have partnered to reduce premiums for apprentices. Also, in his view, based on discussions that have taken place, the group should be more concerned with availability than affordability. To that end, it is worth focusing efforts on how to encourage or incentivize the insurance industry to enter this market.

MEETING # 6

Date: September 12, 2016

Location: Cowan Systems

Workgroup Attendees: Senator Middleton, Delegate Jameson, Mary Beth McCollum, Louis Campion, Jeff Tosi, Sandy Dodson, Alex Schull (Maryland Port Administration)

Guest Attendees: Brett Lininger

The purpose of this meeting was to discuss the workgroup with Mr. Joe Cowan, Chairman of Cowan Systems, the largest for-hire trucking company headquartered in the State of Maryland..

Mr. Cowan presented to the group how his company has operated and his hiring strategy for entrant drivers.

- o Entrant drivers new to Cowan Systems usually have a CDL, but are inexperienced. Very high congestion area, it is important to be cautious.
- o Minimum of 2 years of driving experience before going out on their own.
- o Large insurance deductible (\$400,000)
- o New drivers – individuals who failed at their first vocation
- o Turnover rate is around 40%
- o Cowan spends \$80,000-\$100,000 per month on social networking costs
- o Cowan hires 40-50 per month, loses about 40-50 per month (not gaining)
- o Need “over the road” truck drivers (those that sleep in their cabs)
 - 80% of driver jobs allow truck drivers to sleep in their own bed
 - Family dynamics makes life as a truck driver a difficult sell
- o Truck labor market is twice as bad in New England (than Maryland)
- o Cowan runs a separate driver leasing company that serves as a breeding ground for new entrant drivers. The company hires new entrants that it farms out to other trucking companies to get experience, allowing Cowan to avoid the potential risk while the driver is getting road experience.

Final thoughts on work group and the study:

Senator Middleton:

- o Focus on creating a finishing school / training academy

Sandy Dodson

- o MAIF insures cab, not the cargo.
- o Insured would need to be turned down by an existing carrier

Louis Campion

- o Layering Insurance (include MAIF). Is it possible?
- o Financial incentives: tax credits, grants, etc. to develop finishing programs.
- o Clear indication that there is a problem with availability of insurance in this space.

CONCLUSIONS

The workgroup met three times in 2015 and three times in 2016. Each meeting covered a different topic. The workgroup concludes that the chief obstacle in obtaining insurance for entry-level truck drivers is availability; there are enough insurance carriers in the private market place that, if properly incentivized, will offer. Market forces are dictating that there is reduced competition for this space, and as such there is little competition driving prices down. To that end, there are several steps that we can take to reduce the risk, and to incentivize and empower insurance carriers to enter this market space.

RECOMMENDATIONS

The following is a summary of potential solutions uncovered by the workgroup to rectify the affordability, availability and accessibility of commercial motor vehicle insurance for entry-level truck drivers.

Finishing Program

The workgroup recommends that the State partner with private industry to design a "finishing program" modeled after what some larger truck companies currently have in place. This was discussed extensively during workgroup meetings, and workgroup members, as well as private insurance carrier representatives, unanimously concluded that – if an effective finishing program is created and utilized - this will increase the pool of quality applicants. Insurance company representatives indicated that a quality finishing program has a strong potential to drive down insurance premiums.

If successful, this system will allow small and mid-sized truck companies to attract and retain better quality drivers at more affordable insurance rates. Developing a program will involve public (federal and state government) and private sector collaboration. Significant financial resources will need to be invested to truly effectuate change in the numbers of highly qualified individuals seeking trucking as a career choice.

Federal law hurdles

There are several factors outside the control of state public and private sector entities that limit what can be done to improve the insurance climate for entry-level truck drivers in Maryland. The workgroup recommends that the Maryland Department of Transportation and the Maryland Department of Labor jointly engage Maryland's Congressional Delegation on these two items.

1. **300-mile radius:** The State of Maryland should explore the possibility of working with federal transportation officials to establish a 300-air-mile radius limit on interstate travel (instead of a complete ban of interstate commercial tractor-trailer travel for anyone under 21). Maryland – and frankly the east coast of the United States – is uniquely situated from most other states. Geographically, an east coast truck driver can reach both ends of the state in a matter of hours.
2. **Age limit:** Federal law prohibits individuals younger than 21 years of age from hauling goods on commercial tractor-trailer combinations across state lines. Maryland is a small state; many mid-sized and large trucking companies are regional actors.

Maryland Automobile Insurance Fund (MAIF)

The workgroup discussed whether introducing MAIF would be an appropriate or acceptable alternative. The workgroup concluded that the main driver for creating a healthier insurance climate for entry-level truck drivers is through an expanded workforce that is better trained. Changes in state law would be required to expand the scope of MAIF's current authority, but even if such measures are taken, it is unclear at best if introducing MAIF into the market place will have a positive impact on rates.

ACKNOWLEDGEMENTS

We would like to thank the following individuals for their time and participation to the Workgroup to Study Accessibility, Affordability, and Availability of Commercial Motor Vehicle Insurance for Entry-Level Truck Drivers:

Workgroup Members:

The Honorable Thomas Mclain Middleton, Chair, Senate Finance Committee
The Honorable Sally Jameson, Vice Chair, House Economic Matters Committee
Louis Campion, President, Maryland Motor Truck Association
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Alexandra Shull, Legislative Manager, Maryland Port Administration
Tina Durborow, Director of Transportation Training, Cecil College
Mary Beth McCollum, Director, Center for Transportation Training, College of Southern Maryland
Mark McCurdy, Esq., Executive Director, Maryland Automobile Insurance Fund
Sandra Dodson, Senior Manager, Maryland Automobile Insurance Fund

Trucking Industry Contributors:

DM Bowman, Inc.

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- Barry Ward, Director of Risk Management and Safety
- Sarah Street, Recruiting Manager

Cowan Systems, Inc.

- Dave Cowan, President and CEO

Burris Logistics

- Maria Wittmeyer, Vice President, Transportation

Delaware Tech

- Chris Antonik, Instructor/Instructional Coordinator, Commercial Transportation

The Manfredi Companies

- John W. Manfredi, President and CEO

Maryland Motor Truck Association
- Craig Talbott, Vice President of Safety

Insurance Industry Contributors:

RPS/Tristate Insurance
- Ed Dickerson, Owner

Progressive Insurance Company
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- Bryson Popham, Managing Partner at Bryson F. Popham P.A.

Protective Insurance Company
- Dennis Shinault, CDS, Director of Loss Prevention
- Carl Malm

American Insurance Association
- Eric Goldberg, Vice President for State Affairs

Commercial Lines
- Jason Hall, Underwriting and Product Manager

Bay Shore Insurance
- Linda A. McCann, CPCU, AAI, CPIW, President

Independent Insurance Agents of Maryland
Brett Liningier, Principal at Semmes

Other Contributors:

Maryland Department of Labor
- Mary Keller, Administrator, EARN Maryland program