

How is COVID-19 Affecting the Commercial Transportation Industry?

The commercial transportation industry is a vital component of American commerce. 24 hours a day, vehicles and their drivers transport goods to all corners of the country. Even in the wake of the coronavirus pandemic, commerce depends on the smooth and efficient transportation of goods, placing commercial drivers into the category of essential personnel. COVID-19, the disease caused by the novel coronavirus SARS-CoV-2, has created significant challenges for the commercial transportation industry. In any risk management strategy for trucking operations, commercial transportation insurance is a vital component. Understanding the evolving challenges as the COVID-19 pandemic continues in the U.S. is another means of managing risk exposures.

Uneven Supply Chains and Shifting Demands

It is no secret that the U.S. economy has been affected in unforeseen ways by the spread of COVID-19. Certain commodities are in demand, such as medical supplies, groceries, and personal protective equipment (PPE). Other commodities have dropped out of favor; as manufacturing and travel have declined or been halted, demands for fuel have seen dramatic slowdowns, with haulers scrambling to find loads to transport.

A group called DAT Freight and Analytics that monitors trends in the transportation industry has analyzed the so-called "spot market," which encompasses about 20% of the U.S. transportation industry. In simple terms, the spot market is a way for companies seeking to ship cargo and trucking operations to come together; companies will post loads, then truckers looking for loads to ship will connect. When there are more posted loads than there are truckers available to transport those loads, shipping rates go up, benefitting trucking companies. This happened in mid- to late March, as items such as toilet paper and canned goods met increased demand. However, the reverse then began taking place, with far more truckers available to ship loads than loads available for pickup as non-essential retail closed its doors. This has resulted in trucking companies desperately seeking loads in order to maintain business continuity.

Illness in Truckers

Despite statewide stay-at-home orders and social distancing initiatives, the very nature of the commercial transportation industry necessitates that truckers are out in public, potentially posing infection risks to themselves and others. As a result, the coronavirus has sickened many drivers, causing supply chain delays or shutdowns of operations. While commercial transportation insurance provides a certain level of coverage for business interruption and other liabilities, a reduction in available personnel has meant that states have had to revamp regulations.

As a response, the Federal Motor Carrier Safety Administration (FMCSA) has granted a three-month waiver from certain regulations governing those working to obtain commercial driver's licenses (CDLs). Prior to the waiver, novice truckers with commercial learner's permits were required to have a driver with a CDL in the front seat of the vehicle. Under the waiver, a CDL holder must still be present with the learning driver, but under relaxed circumstances and as long as the learner's permit holder meets certain skills and testing criteria. This move has helped ease the staffing strain on trucking companies facing shortfalls of healthy truckers.

Financial Shortfalls

Reduced demand in the transportation of certain goods has led to significant financial hardships for many trucking companies. The transportation industry was not well-represented during negotiations leading to the Coronavirus Aid, Relief, and Economic Security (CARES) Act, but have become eligible to take part in relief programs like loans from the Small Business Administration's Paycheck Protection Program. Some transportation firms are already taking advantage of tax credits like the Exchange Stabilization Fund, and other relief efforts are now being pushed forward by Congress. Additional emergency funding, coupled with the passage of federal stimulus packages, should help to alleviate some of the monetary shortfalls the trucking sector is experiencing.

Corporate assistance in the form of discounts has also eased some of the financial burdens associated with the COVID-19 pandemic. For carriers in the Convoy Freight Network, the Goodyear Tire & Rubber Company has offered substantial discounts on truck tires, roadside assistance, and maintenance/service of commercial vehicles.

Summary

In these difficult times, the transportation industry is as important as ever, and may even grow in importance as essential goods are needed across the country. It is important to note that commercial transportation insurance is only one part of a more comprehensive risk management plan for this sector. Managing risks is the key to surviving the worst of times, even in the face of a global health pandemic. Despite the financial and staffing challenges, trucking companies have risen to the occasion, continuing to provide valuable service and helping to drive economic recovery in the United States.

Sources

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