Owner Operator Insurance Issues

Utilizing Occupational Accident and Contingent Liability to Reduce the Inherent Risks Associated with using Owner Operators.
Owner Operator Insurance Issues*

- Motor carriers are utilizing owner operators more frequently than ever before.
- Owner operators present unique risk management issues that must be addressed by the motor carrier’s legal and insurance advisers to protect the motor carrier from unexpected claims against the assets of the motor carrier.
- The motor carrier sponsored workers compensation program is particularly susceptible to unwarranted claims by owner operators.
Owner Operator Insurance Issues

- Owner operators are by nature independent contractors and are typically not covered by a motor carrier’s workers compensation plan.

- Owner operators injured on the job are going to look for someone to pay their claims, regardless of fault.

- There is nothing to prevent an injured owner operator from filing workers compensation claims against a motor carrier, even though they are not considered employees.
An owner operator who successfully sues and is awarded employee status after an on the job accidental injury can present significant financial liability to the leasing motor carrier:

- Workers Comp plan may be required to pay claims, negatively impacting the program’s loss ratio.
- Workers Comp carrier may audit and ask for back premium on all owner operators.
- Self Insured or deductible work comp plans will require the motor carrier to pay unexpected claims out of the motor carrier’s operating fund.
- The impact of employee classification may cause major tax and FICA liabilities which could put a motor carrier out of business.
All motor carriers should require the following from leased owner operators:

- Signed Lease Agreement
- Participation in a safety program
- Arms length relationship
- Owner operator to be responsible for truck maintenance
- Purchase of workers compensation or occupational accident insurance.
Motor carriers have 3 options in dealing with inherent owner operator insurance issues relating to on the job injury or death:

- Do nothing
- Require the owner operator to purchase workers compensation
- Require the owner operator to purchase occupational accident insurance coupled with the motor carrier purchase of contingent liability insurance
Owner Operator Insurance Solutions

- **Workers Compensation** – Most comprehensive coverage, but can be prohibitively expensive.

- **Occupational Accident** – Provides accidental death, accidental dismemberment, accident disability and accident medical expense benefits. Differs from comp in that occupational accident insurance does not include employers liability and has time and dollar limitations. Occupational Accident is usually the most affordable option for owner operators.
Occupational Accident Insurance – Sample plan design:

- Accident Medical Insurance - $1,000,000
- Accidental Death & Dismemberment Insurance - $250,000; $50,000 paid at death and $1,000 per month for 200 months
- Accident Disability – 67% of net income; Paid weekly with a minimum of $50, and a maximum of $700.
Owner Operator Insurance Solutions (Occupational Accident Continued)

Non Occupational Accident Benefits

- Accident Medical - $15,000
- Accidental Death & Dismemberment - $15,000
Contingent Liability Insurance

- Contingent Liability Insurance provides protection for the motor carrier in the event an owner operator covered by occupational accident insurance sues and perfects a workers compensation claim. Contingent liability provides coverage for both Part A and Part B of workers compensation in addition to defense costs. Typical limits are as follows:
  - **Part A - $1,000,000 Per Person Per Accident**
  - **Part B - $100,000/$500,000/$100,000**
Additional Considerations:

- **Claims** – Network access, efficiencies in the claims process, managed care practices and effective subrogation can impact the long term viability of an occupational accident program and keep claims out of workers compensation court.
Owner Operator Insurance Solutions

- Additional Considerations (continued):
  - Risk Management Services
    - OneBeacon Assistance Services – Travel Assistance
      - Fully insured, travel assistance program providing multilingual 24/7 professional support for medical, personal, legal and informational assistance for sick or injured drivers while traveling 100 or more miles from home.
      - Medical focus and continuous monitoring of medical situations ensures best possible care and outcome
      - Medical Evacuation and Repatriation
Owner Operator Insurance Solutions

Additional Considerations (continued):

- Risk Management Services
  - Identity Services –
    - Identity Theft Resolution - Unlimited access to a fraud specialist, including a full year of active follow-up and credit monitoring
    - Proactive Identity Services – Advocate-assisted fraud alerts and credit file freezes are placed in credit files
    - Travel – Immediate help in the event crucial documents are lost or stolen
    - Victim Education and Resources – Educational website at www.onebeacon-acchealth-idservices.com
Owner Operator Insurance Solutions

- **Contractual issues**
  - Comprehensive Definition of Dispatch
  - Hernia Benefit
  - Air Ambulance Benefit
Owner Operator Insurance Issues

- Motor carrier utilization of owner operators will continue to be an important strategy in dealing with the cost and shortage of employee drivers. Effective management of the inherent risks associated with using owner operators is essential to protecting the assets of the motor carrier customer.
Questions to Ask the Motor Freight Carrier
**Question:** Why should I offer Occupational Accident coverage to my contract drivers?

**Answer:** Whether you offer the OneBeacon Occupational Accident program, individual work comp coverage or another Occ Acc program, you need to make sure that your contract drivers have some type of coverage in force. The main reason is that if an independent contractor has an on the job accident while driving for you and has no coverage in place and incurs medical expenses, there will be the inclination to sue for employee status under your workers comp program. If that happens, then you could be financially liable for that driver as well as all the other independent contractors that are driving for you. This could be a very expensive proposition for your firm.
**Question:** What happens if your independent contract drivers/owner operators get hurt on the job while driving for you? Do they have some type of on the job protection?

**Answer:** OneBeacon offers a comprehensive transportation solution which includes protection for your contracted drivers as well the motor carrier. The package includes Occupational Accident coverage for owner operator drivers, Contingent Liability for the motor freight carrier as well as Texas Non-Subscriber coverage for your Texas exposures.
Question: What are you doing to protect yourself in the event one of your contract drivers perfects a Work Comp claim against your Work Comp program?

Answer: OneBeacon offers Contingent Liability coverage for Motor Freight Carriers who work with independent contractor/owner operator drivers. The coverage offers policy limits under Part A and is a pay on behalf of policy. This coverage in conjunction with our Occupational Accident coverage can offer you peace of mind when working with independent contractor/owner operator drivers.
Questions Asked by Motor Freight Carriers
Question: What other coverage/services are available through OneBeacon?

Answer: OneBeacon offers comprehensive coverage and exemplary claims service as part of their Transportation Strategy. Some of the other services offered revolve around getting your drivers back to a level of productivity as quickly as possible. These services include OneBeacon Travel Assistance and OneBeacon Identity Services.
Other OneBeacon Services

- **Travel Assistance** provides emergency medical, legal, personal and informational services for drivers when traveling 100 miles or more from home. This service can help drivers locate an appropriate medical facility after an accident or an illness. The service can also help get a driver home following an accident.

- **Identity Services** provides proactive and reactive resources to assist drivers in managing an identity theft related issue. This helps the driver focus on work related issues rather than on the significant number of issues related to Identity Theft.
Question:
How does the AD&D benefit work?

- **Answer:** If a driver is killed on the job and it is determined that the death is the result of an on the job accident, then the driver’s beneficiary will receive a lump sum benefit as outlined in the policy. At that point if there is a surviving spouse and children, a percentage of the benefit will be paid for the duration as outlined in the policy. There are also benefits payable for on-the-job dismemberment and loss of use.
Question: How does the Temporary Total Disability (TTD) benefit work?

Answer: The TTD benefit is comparable to a Short Term Disability plan in that disability payments are made for a limited duration, usually 104 weeks. Payments are made to the driver on a weekly basis. The benefit payable is based on a percentage of earnings as outlined in the policy. The plan is designed to cover the driver’s living expenses and at the same time gives a driver incentive to return to work as quickly as possible.
Question: How does the Contemporary Total Disability (CTD) benefit work?

**Answer:** The CTD payment is comparable to a Long Term Disability (LTD) program and designed to cover a driver that has been hurt for an extended period of time, usually in excess of 180 days. The CTD payment is designed to coincide with a driver's working lifetime. The CTD payments like the TTD payments are based on a percentage of earnings. Except with CTD, there is also the requirement of having to meet and qualify for disability benefits under Social Security.
Question: Do you cover Occupational Disease (OD) and Cumulative Trauma (CT) under your policy?

Answer: The Occ Acc policy does not cover OD and/or CT. The policy covers on the job accidents which OD would not qualify and the CT diagnosis while debilitating is typically not the result of a single event/accident and would not be covered under the policy.
Question:
Does your policy cover Hernia?

Answer: The OneBeacon Occ Acc policy does offer limited benefits for Hernia that has occurred on the job.
Question: Does your policy cover hemorrhoids?

Answer: The OneBeacon Occ Acc policy does not offer coverage for hemorrhoids. This scenario will typically develop over time and not be the result of a single event or accident.
Question: How do I administer the billing/premium?

Answer: The premium billing is simple with OneBeacon. Typically drivers that come on the plan prior to the 15th of the month pay a full month’s premium. For drivers that join the motor freight carrier after the 15th of the month, premium is waived for that month. We do not require a monthly bordereaux diver listing only a headcount of the total number of drivers. The driver count multiplied by the per driver rate determines the total monthly premium due.
General Questions
Typical Questions for Occupational Accident Coverage

- **Are there trucking segments or trucks which OneBeacon will not write?** Answer: Restricted Groups Include: Hazardous (nuclear or other) materials or waste, Logging and lumbering operations, Moving and storage operations, Sand, gravel or any type of aggregate hauler, Bulk carrier or tank operations, Couriers, messengers or livery, PEO’s, driver leasing or temporary services.

- **Will OneBeacon write employee drivers?** Answer: Employee drivers are covered by the motor carriers workers compensation program.

- **Will OneBeacon write casual laborers, lumpers, etc.?** Answer: Casual laborers and lumpers are not eligible for Occ Acc coverage.
Typical Questions for Occupational Accident Coverage

- Are there age limitations for owner operators covered by the program? **Answer:** There are no age limitations in the policy regarding eligibility for coverage. There are however, changes to the Accidental Death, Temporary Total and Continuous Total coverage structure for drivers over the age of 65:
  - AD&D – Per the Standard Reduction Schedule
  - And over the age of 70:
  - TTD – 52 Week Maximum Benefit Period
  - CTD – No Coverage

- What is the minimum number of owner operators required to purchase the MarketScout occupational accident program? **Answer:** 10
Typical Questions for Contingent Liability and Workers’ Compensation

- **What is the maximum number of owner operators required to purchase the MarketScout occupational accident program?** 24

- **Will OneBeacon write contingent liability?** *Answer:* Yes. OneBeacon writes Contingent Liability Insurance with limits up to $1,000,000 and on a pay on behalf of basis. Certain states may have limited access to contingent liability coverage.

- **Will OneBeacon write fleet workers’ compensation?** *Answer:* OneBeacon will not write fleet workers compensation.

*This document is intended as a general training tool. It is not to be used as a substitute for legal or risk management advice.*
OneBeacon Insurance Company

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