How Insurance Helped Build a National Trade Association in the Trucking Industry

Featuring Jim Johnston, President & Chief Executive Officer, Owner-Operator Independent Drivers Association, Inc. and OOIDA Risk Retention Group

Giving up “truckin” was traumatic for Jim Johnston in the early ’70s when he and a few others launched the Owner-Operator Independent Drivers Association, Inc. (OOIDA), an organization formed to give independent truckers a voice in the struggle against the giant motor carriers and burdensome government regulation.

It all began in 1973 with the Arab oil embargo. Truckers were fighting long lines at the pump, destructive competition from motor carriers, and hefty regulations at the state and federal levels. A successful operator with two trucks, Johnston got together with a handful of other independents to form OOIDA. “For a year or so, I tried to keep my trucks on the road and get the Association up and running at the same time. It was tough. Our guys would pull into a truck stop and only get 30 gallons of gas—just enough to get to the next truck stop and line up for another 30 gallons,” Johnston said.

He soon realized that the problems facing his fellow independent truckers were greater than the fuel shortage. “We decided a long-term commitment was essential, so I signed on full-time. I thought real men were truckers so it wasn’t easy to go from a truck driver to an office person.”

OOIDA stood up to the major motor carriers that constantly sought ways to restrict independent operators. OOIDA was vigilant in protecting independents when the Department of Transportation (DOT) took over motor carrier regulation from the Interstate Commerce Commission. Johnston is a staunch advocate of federal regulation as the leader of an association whose members live by driving across state lines. The Association constantly monitors the 50 states to fend off regulations that interfere with interstate transportation. The Association began to give independent truckers a voice in the oil crisis of the 1970s and developed into a tough advocate for the industry on a wide spectrum of issues.

It took almost 10 years to attract 1,000 members. Today, OOIDA has 150,000 members, a strong voice in D.C. and state capitals, plus a menu of products and services that tie truckers to the Association. “Early on, we discovered that we had to provide more than lobbying to recruit and retain members. We focused on products that truckers were having trouble obtaining elsewhere at fair prices. The biggest turned out to be insurance,” said Johnston. “We began in ’76 and ’77 working through an outside broker and eventually formed a MGA that underwrites physical damage and related coverages through two Lloyd’s syndicates. Insurance is the premier service we provide to our members—second only to aggressive, dedicated representation of their interests.”

Deregulation of the trucking industry sparked demand for an alternative source of liability insurance. Following passage of the Motor Carrier Act of 1980, independent truckers gained their own operating authority, which required them to obtain liability insurance. Major trucking companies no longer wrote liability coverage for the smaller operators. “We tried for a long time to find carriers that would provide...”

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Jim Johnston
President & Chief Executive Officer

Association: Owner-Operator Independent Drivers Association, Inc.
Company: OOIDA Risk Retention Group, Inc.
RRG Organizational Structure: Stock insurance company
Experience: 39 years in Association management; 17 years in RRG management
Credentials: Regularly consulted by the Administration, Congressional leaders and the Department of Transportation on regulatory issues affecting the trucking industry.
Proudest Professional Achievement: “Helping to create an Association structure that will continue long after I’m gone. We did everything the hard way—building the Association with no capital and not beholden to anybody but our members’ best interests.”
stable liability insurance but the traditional insurers kept pulling out, so we formed the OOIDA Risk Retention Group to give our members essential coverage they could depend on,” Johnston said.

The RRG wrote its first policy in 1995, the same year the Interstate Commerce Commission was abolished and DOT took over trucking regulation. OOIDA supplied the capital to form the RRG from the profits of its physical damage insurance business that had been operating successfully since the mid-1980s. “We never got outside money. OOIDA put up $750,000 and we obtained a Letter of Credit for $1 million to get the company off the ground.”

“In its first year, the RRG was 100% reinsured. Today, we retain 35% of the risk. However, we’re constantly looking at options to reduce the quota share, reinsurance coverage. At the same time, we want to be well positioned financially if the DOT increases the mandatory limits of $750,000 per occurrence and $1 million aggregate for the basic Motor Carrier Coverage and Unladen Truckers Liability,” he added. The company also writes a variety of other coverages for various liability exposures in the trucking industry.

“Trucks have huge exposure. For example, we’re now settling a claim for a truck accident in Florida that occurred in smoky, foggy conditions. There’s no indication our driver was at fault in the accidental deaths, but we’ll end up paying the limit. Trial attorneys are constantly on the lookout for trucking accidents because they can expect to collect $1 million in every case,” said Johnston.

In 2010, OOIDA RRG was the 27th largest by premium of the more than 250 RRGs. More important, it is one of the most successful. The company achieved net income of $2,814,358 on gross premium of $18,583,307. Surplus in 2010 amounted to $20,045,099—an enviable premium-to-surplus ratio under 1-to-1.

The Association employs 288 people to support its aggressive government relations program and insurance business along with other products and services to members. The Truck Insurance Department is integrated with responsibility for physical damage coverages and the RRG.

The RRG currently insures 4,500 members of the Association. “Only 30 to 35% of our members require primary liability coverage. Others are employed drivers whose insurance is provided by the motor carriers. We would like all our eligible members to get their liability insurance from the RRG, and we’re actively marketing the product with a staff of 29 sales and service agents,” Johnston stated.

OOIDA RRG is domiciled in Vermont. “We did considerable research and chose Vermont because it’s the premier domicile with the most well-recognized regulatory system among the states,” he explained. Risk Services, Inc. is the RRG’s captive manager with responsibility for regulatory compliance.

Insurance operations are handled in-house. A 16 member staff is responsible for underwriting. Association membership is required for a trucker to be insured by the RRG, but strict underwriting guidelines are followed in risk selection. “We don’t insure bad drivers. Our underwriters check each driver’s record. If they don’t measure up, they don’t get covered.” Claims are managed by in-house attorneys who rigorously oversee outside defense lawyers and adjusters.

Offering a full line of insurance products to its members is one of the reasons OOIDA survived and prospered when other startup associations in the independent trucking industry failed. The Association’s total revenue today is in the range of $75 to $80 million. Insurance is the biggest contributor with some $15 million in medical covers and occupational accident; about $30 million in physical damage covers; and close to $24 million in liability insurance through the RRG.

Membership in the Association declined during the economic crisis but is back on track for 10% to 20% growth per year, Johnston predicted. According to Johnston, his greatest professional challenge is “providing the best representation to independent truckers across the country and overcoming threats to their operations that constantly arise.” His relentless commitment to this objective guarantees OOIDA’s future as the voice of independent truckers beset by big government and giant motor carriers.

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