

December 21, 2015

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

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

Dear Chairmen Middleton and Davis:

I am pleased to submit for your review the Department of Labor, Licensing and Regulation's (DLLR) Interim Report the Workgroup to Study Accessibility, Affordability, and Availability of Commercial Motor Vehicle Insurance for Entry-Level Truck Drivers. The report, required by Senate Bill 910 (Chapter 208, Acts of 2015), provides an update on this study.

DLLR continues its commitment to identifying recommendations to create opportunities for the State's trucking industry employers. Upon your review of the report, should you or your staff have any further questions regarding this study, please do not hesitate to contact me.

Thank you for your time and consideration of this report.

Best Regards,



Kelly M. Schulz  
Secretary

**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

Senate Bill 910 (Chapter 208, Acts of 2015) requires the Maryland Department of Labor, Licensing, and Regulation (“Department of Labor”) to conduct a study of the availability, accessibility, and affordability of commercial motor vehicle insurance for motor carriers who want to employ entry-level commercial driver’s license (CDL) drivers. The bill requires the Department of Labor to make recommendations on how to make such insurance more available, accessible, and affordable. By December 1, 2015, the Department of Labor must report its findings and recommendations to the Senate Finance and House Economic Matters committees. If the Department of Labor has not completed the study by that date, it must instead report its interim findings and recommendations by December 1, 2015, and report its final findings and recommendations by December 1, 2016. The bill took effect on June 1, 2015.

In conducting the study, the 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 bill further stipulates that the Department of Labor shall examine a range of issues related to the availability, accessibility, and affordability of commercial motor vehicle insurance.

## 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.”<sup>1</sup>

According to the Maryland Motor Truck Administration, one in twenty jobs in Maryland are trucking industry-related, and wages exceeded \$5.1 billion (averaging just under \$50,000 annually). Most of these companies are small, locally-owned businesses that transport over 400,000 tons per day. Over 93% of Maryland communities depend exclusively on trucks for their goods, meaning they have no other way to get the products they need.<sup>2</sup>

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 40,000, will grow to over 230,000 in the next 10 years. The trucking industry will need to recruit an average of 100,000 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.

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<sup>1</sup> [http://www.trucking.org/News\\_and\\_Information\\_Reports\\_Driver\\_Shortage.aspx](http://www.trucking.org/News_and_Information_Reports_Driver_Shortage.aspx)

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

The Port has growing 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 is 95 percent completed and will double the Canal's capacity.

### *Factors Driving Up Demand at the Port of Baltimore*

The Port is a critical economic engine for the State supporting 13,920 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 2015 Baltimore cargo grew 8% year-over-year, which is significantly faster than other ports in our region and with projections that this trend will continue.

### Global Shipping Dynamics

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

- 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.
- Panama Canal Expansion – In April 2016, maximum vessel size for canal transit will grow from 4,500 twenty-foot equivalent units (teus) to over 13,000 teus. Baltimore is only one of three 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 teu and their alliance partners within CYKHE have indicated strong desire to enter this market.
- Suez Canal Impact – With Far East manufacturing shifting further to the West, viable Suez services with vessels as large as 9,200 teu are already calling the East Coast including Baltimore. This resulted in significant growth by the 2M Alliance.

### Baltimore Development

Major impacts to region and potential freight flows:

Sparrows Point Terminals – 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 we anticipate an Economic Impact study from SPT in early 2016 to outline the same.

### Intermodal Container Transfer Facility (ICTF) Development / Howard St. Tunnel

Expansion of the Howard Street Tunnel, the more costlier alternative to an Intermodal Container Transfer Facility (ICTF), would allow double stack rail service through the Port. Alternatively, the State and the Port of Baltimore, have recognized the need to establish an ICTF that would allow

double stacked containers out of the Seagirt Marine Terminal to bypass the aged Howard Street Tunnel. A \$90 million facility was planned at Morrell Park in Baltimore, but then-Governor Martin O'Malley took the project out of the State's five year Consolidated Transportation Plan. Once constructed, the ICTF will increase the amount of truck power needed to not only handle first / last mile deliveries relative to the rail itself, but for additional discretionary cargo routed via truck. 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.

As a result, in February 2015, Senator Thomas Middleton, Chairman of the Senate Finance Committee, hosted two meetings bringing together key stakeholders with the goal of better understanding the extent of this challenge. Participants included the Department of Labor, Licensing, and Regulation, the Maryland Insurance Administration, the Maryland Port Administration, the Maryland Automobile Insurance Fund, the Maryland Motor Truck Association, trucking companies that offer services at the Port of Baltimore, various schools that provide CDL driver training, and several representatives from the 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 and the formation of this workgroup.

## WORKGROUP MEETINGS

### **Organizational Meeting**

Date: June 16, 2015

Location: Maryland Department of Transportation HQ

We discussed structure of workgroup, mapped out workgroup goals and a schedule of meetings. It was decided that the workgroup would be constituted with the following nine individuals:

- Senator Thomas Mclain Middleton, Chair, Senate Finance Committee, SB 910 sponsor
- Delegate Sally Jameson, Vice Chair, Economic Matters Committee, HB 1253 sponsor
- Louis Campion, President, Maryland Motor Truck Association
- Mark McCurdy, Esq., Executive Director, Maryland Automobile Insurance Fund
- Sandra Dodson, Senior Manager, Maryland Automobile Insurance Fund
- Jeff Tosi, Director of Government Affairs, Department of Labor, Licensing and Regulation
- Philip Dacey, Director of Government Affairs, Department of Transportation
- Tina Durborow, Director of Transportation Training, Cecil College

- 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, Philip Dacey, Mark McCurdy, Sandra Dodson, Mary Beth McCollum, Tina Durborow, Louis Campion, Jeff Tosi

Guests: Jim Ward (DM Bowman, Inc.), Maria Wittmeyer (Burriss 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 2014<sup>3</sup>. 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 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 Burriss Logistics idea of creating a "finishing program" similar to what some large truck operations use to train drivers.
- Senator Middleton summarized the discussion to that point:
  - Large Trucking Companies: can afford to train new drivers in-house, and can self-insure.
  - Medium Sized Trucking Companies: can do some in-house training, have some ability to self-insure.
  - Small Trucking Companies: cannot train new drivers in-house, cannot self insure.

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<sup>3</sup> <http://www.dllr.state.md.us/earn/>

- 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.
- “Troops to Trucks” was discussed as well.
- Ms. Wittmeyer discussed Burris Logistics’ commitment to entrant drivers:
  - They belong to an insurance “captive” (which is similar to having the ability to self-insure).
  - “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.
- 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 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:

- What factors do you consider in underwriting, including the impacts of driver age and experience?
- What has your experience been with new entrant CDL A 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.?
- Do you give any weight to past experience a driver might have operating a CDL B vehicle?
- 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 HQ

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 separate 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 EARN Maryland program.

#### Federal Law Overview

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

- The 21-year-old age limit to driving CDL vehicles in interstate commerce.
- "Airmile" Allowance of 300 miles. Whether it is feasible to permit drivers under the age of 21 to operate interstate, across state borders. This is currently prohibited by federal law.
- 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 troubles with a criminal background check. This is an added complexity to the overall workforce problem, but does not relate to the insurance piece specifically.
- 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).
- Further discussion around creating a Graduated Licensing Program similar to how Maryland (and many other states) is required to train new drivers.
- Does there exist an apprenticeship program specifically designed for the trucking industry?
- Senator Middleton asked whether gender or marital status factor into insurance rates for entry-level CDL drivers?
- 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.



- Is severity or frequency (of accidents) the biggest problem?
  - Ed Dickerson indicated that frequency is a bigger problem than severity.
- 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.
- 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.
- Ed Dickerson asked the two workgroup members how much it would cost each of their students/trainees to go through their respective CDL training programs
  - Tina Durborow: \$3,800 per trainee; Mary Beth McCollum: \$4,200 per trainee.
- Senator Middleton asked if there exists any state with a state finishing program.
  - The workgroup members and meeting guests were not aware of one.
- 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 (PowerPoint presentation)

- 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”.
- The program is flexible on funding, has created a robust list of private sector partners, and has developed a recruitment strategy.
- The program’s focus is currently on growing existing partnerships, not recruiting new ones.
- The program staff receives quarterly reports from each recipient.
- Senator Middleton asked what was the maximum grant allocation?
  - Mary Keller responded: \$150,000 average, \$450,000 maximum.
  - Solicitation: minimum of five employers.

## INTERIM FINDINGS AND CONCLUSIONS

The workgroup met three times during the 2015 interim, each covering a different topic. Some possible solutions presented were:

1. Finishing Program. Design a “finishing program” similar to what some larger truck companies currently have in place. Insurance representatives discussed this during workgroup meetings and had mentioned that this could potentially drive down insurance premiums, depending on how the program is designed, and if successful would allow small and mid-sized truck companies to attract and retain drivers at more affordable insurance rates.
2. Federal Law. The workgroup heard a number of potential barriers to employment that would require changes in federal law or rules, including (but not limited to):

- a. Age limit. Federal law prohibits individuals younger than 21 years of age from hauling goods on commercial tractor-trailer combinations across state lines.
  - b. 300 mile radius. It was suggested that, in connection with the age limit issue, the State of Maryland should explore the possibility of working with federal transportation officials to establish a 300 air mile radius for limits on interstate travel (instead of a complete ban of interstate commercial tractor-trailer travel for anyone under the age of 21).
  - c. Transportation Workers Identification Credential ("TWIC"). This issue is specific to the Port of Baltimore, or any other facility with which the U.S. Department of Homeland Security has jurisdiction. Problems raised centered around an individual's ability to qualify for a TWIC card if the person has troubles with a criminal background check. This requires further study.
  - d. Split Filing. Explore the possibility of a change in federal law that would allow companies to use different insurance companies in order to provide coverage to different drivers within its fleet.
3. Maryland Automobile Insurance Fund ("MAIF"). A question was posed to MAIF representatives sitting on the workgroup as to whether or not the agency could potentially expand the scope of their practice to include cargo insurance. Allowing MAIF to offer cargo insurance may increase the accessibility of insurance for the trucking industry. Granting this authority would require a statutory change that would require consideration of a multitude of factors, but it warrants further exploration.

Therefore, as is permitted by SB 910 (Chapter 208, Acts of 2015), this report serves as an interim report and there are no official recommendations included at this time. The workgroup will continue its efforts during the 2016 interim, and will develop recommendations on how to make commercial motor vehicle insurance for entry level truck drivers more available, accessible and affordable. Those recommendations will be included in the final report, due December 1, 2016.