

Alternate Route

■ Logger-owned Forestry Ins. Co. of the SouthEast offers an alternative on trucking.

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Trucking insurance has consistently been among the top complaints of loggers in recent years, with



limited options in some areas as many companies stopped writing policies for log trucks. With all the market disruptions, Rick Quagliaroli, President of South Carolina-based Swamp Fox Insurance Agency and board member of the Forestry Insurance Co. of the SouthEast, says several loggers came to him concerned about insurance carriers leaving forestry.

One option, he told them, was to set up a captive insurance company. “In insurance it is referred to as alternative risk,” he explains. It would be owned by and insure only loggers, as an alternative to the standard commercial market. “There’s nothing wrong with standard insurance,” he emphasizes. “I’m not advocating against it. Both have a purpose, standard and captive insurance carriers, they both have a reason to exist.” In fact, his agency, Swamp Fox, works with both standard and captive carriers.

The insurance man explained to his clients that it would require an investment from them to make it work. They were onboard. So, after founding the new company in 2016, they took the Forestry Insurance Co. of the SouthEast live in 2017 to write auto and general liability policies for the member-loggers. “From a startup basis in 2017, it has performed exceptionally well,” Quagliaroli says. “Loss ratios are very low.”

What is the difference? “The primary difference is that it is a homogenous group committed to fleet management practices,” according to Quagliaroli. “Only other logging companies are members. So as a result they are very focused on the business. They put capital into the company, so they have skin in the game. They want to see it perform successfully, because they have the potential for dividends, so there is a real financial

incentive. In a publicly traded company any dividends go to the shareholders. Here, the shareholders are loggers. There are no non-invested loggers in this company. Anybody who is insured is also an owner, so they have a real stake in how well it performs.”

Forestry Insurance Co. is a separate legal entity from Swamp Fox, with no relationship other than that the latter provides underwriting and services to the former. Quagliaroli helped start the new company and sits on its board, but he does not own it; the members do. He describes his role as that of a gatekeeper, helping determine who can and can’t join. The owners set the standards of what it takes to qualify and his role is to apply those standards.



From left, loggers Daryl Dunn and Michael Martin join Swamp Fox President Rick Quagliaroli at Forestry Insurance Co. of the SouthEast.

As of early September, Forestry Insurance has 29 members, all in South Carolina and Georgia. In time it may expand to the rest of the Southeast, as the name implies. Quagliaroli figures they have declined quotes to another 40. The main reason a business would be turned down would be over commitment to fleet management practices.

“Fleet management is not an expense but an investment,” Quagliaroli says. “I know there are certain practices that if adopted will lower operating cost and improve profitability, because the shareholders are showing me the reduction in cost benefits.” He says the best examples of practices that can have that effect are reductions in drivers’ speed and eliminating hard braking. To achieve those aims, Forestry Insurance conducts driver and owner training sessions at least annually.

Fleet Management

Before acquiring Swamp Fox in 2013, Quagliaroli had spent the bulk of his career to that point with the Hartford Financial Services. “At Hartford, one of the areas I ran was loss control and safety services,” he explains. Hartford, he says, was the company that originated the term “loss control” back in the ‘50s. “It was a relatively innovative idea at the time. Loss control services bring real benefit to clients.”

He continues, “If you think about it, what does a logger, or any business owner, do all day? He runs his business, solves problems and puts out fires. You can’t expect them to come home at night and think about fleet management practices. The insurance

professionals should be out there two or three times a year providing our expertise to help them run a safer company, because safer companies are overwhelmingly more profitable. So when I think safety services, I think largely on the fleet management side. It is kind of the last frontier, because mechanized logging has changed the industry dramatically.”

Coverage

Forestry Insurance Co. offers auto liability, covering exposure from extra heavies over the road, service vehicles and trailers. It does not cover woods equipment, only road equipment. It also offers general liability, in case of accidental injury in the woods. Excess liability, workers’ comp and equipment coverage they place with other companies.

“When I bought this business in 2013 and brought up the idea of GPS

in trucks, it wasn’t universally thought to be necessary, but you can demonstrate the value of it,” Quagliaroli says. “Our agency has sold, at cost, over 1,500 dash cams. The only friend a log truck driver has on the road is the dash cam.”

Current market rates have an enormously wide range. “In 2013, a log truck could be insured as low as \$850,” Quagliaroli says. “That’s a low rate, but an inadequate rate.” It doesn’t cover the cost to the insurance company. “The insurance industry was making a lot of money up through 2013, so commercial auto rates had become grossly underpriced, because it was very much a buyer’s market. Insurance companies were willing to insure not just log fleets but all commercial auto at inadequate pricing. Then there was an explosion in litigation. The factors of inadequate rates, increased litigation and limited to no fleet management practices has driven up rates or caused carriers to withdraw from insuring the industry.”

He continues, “Insurance companies had been charging as low as 15-20% of what was adequate, so companies came and went. Some lost a lot of money.” When some companies pull out, others are willing to fill the void, but with dramatically higher prices than what would be required—some as high as \$40 thousand a year to cover a log truck.

The trick, Quagliaroli says, is to strike the right—sustainable and affordable—balance between the extremes. Forestry Insurance Co. of the South, he believes, is committed to achieving that balance. “This company stabilizes its rates, and gets adequate rates for exposure,” he explains. “From 2017-2019 rates went down 13%, and this year down another 6%. These rate changes are not due to market competition pressures but to fleet management practices and improvements driving down loss costs. It’s a balancing act; you have to be competitive, but we have stayed at an adequate rate level or passed on insuring an account. If you think of net cost, if you pay an acceptable rate and three years from now you get a 25% dividend, that is a good investment.”

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