

Motor Carrier Safety Advisory Committee (MCSAC) Task Statement 14-2

I. Task Title

Recommendations to the Agency on financial responsibility and security requirements for motor carriers, brokers, and freight forwarders.

II. Background

The current minimum financial responsibility levels for motor carriers of property, hazardous materials, and passengers were established in the 1980s. While catastrophic crashes involving CMVs are relatively rare occurrences, the costs of resulting property damage, injuries, and fatalities, can far exceed the minimum levels of financial responsibility. Over the past 29 years, while insurance premiums have declined, the decreasing real value of the current minimum levels has effectively removed the function of insurance in covering catastrophic crashes, as medical and other crash-related costs have increased significantly. The legislative history of the Federal minimum insurance requirements strongly suggests that Congress recognized that crash costs would change and that DOT would regularly examine the levels and make adjustments as necessary.

In July 2012, the Congress enacted the Moving Ahead for Progress in the 21st Century (MAP-21, Pub. L. 112-141), a two-year law reauthorizing the surface transportation act through October 2014. Section 32104 of MAP-21 directed the Secretary of the U. S. Department of Transportation (DOT) to issue an annual report, beginning April 1, 2013, to the Committee on Commerce, Science, and Transportation of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives on the appropriateness of the current minimum financial responsibility requirements for motor carriers of property and passengers, and the current bond and insurance requirements for freight forwarders and brokers. The Secretary delegated the responsibility for this report to the Federal Motor Carrier Safety Administration (FMCSA), which released its report on financial responsibility requirements to the Congress on April 17, 2014.

Interstate motor carriers and transportation intermediaries, as well as certain intrastate hazardous materials carriers, are required by law to maintain minimum levels of financial responsibility. In addition to the reporting requirement, MAP-21 mandated new bond and insurance requirements for freight forwarders and brokers of \$75,000 effective October 1, 2013. The legislative history of minimum insurance requirements for commercial motor vehicles (CMV) indicates that Congress recognized that crash costs would change over time and that DOT would periodically examine the levels and make necessary adjustments. A variety of recent studies indicate that inflation has greatly increased medical claims costs and related expenses. In its Report to Congress, FMCSA determined that the current financial responsibility minimums are due for re-evaluation, as current financial responsibility minimums are inadequate to fully cover the costs of some crashes in light of increased medical costs and revised value of statistical life estimates. The Agency has formed a rulemaking team to further evaluate the appropriate

level of financial responsibility for the motor carrier industry and has placed this rulemaking among the Agency's high priority rules. At this time, the Agency seeks the advice of the MCSAC, its most representative stakeholder body, in moving forward with the development of a proposed rule.

III. Task

In making its recommendations to the Administrator, the Agency requests that the MCSAC consider its recent Report to Congress, the Volpe study on financial responsibility, and other publicly available and privately held data and information from the insurance, motor carrier, and broker/freight forwarder industry. In preparing its letter report to the Agency, the Committee should, wherever possible, indicate whether the ideas identified are supported by research and data analyses, including cost/benefit considerations. As the MCSAC meetings are open to the general public, the Committee should consider any information identified by individuals making remarks during the meeting's public comment period.

IV. Estimated Time to Complete Task

The MCSAC should begin work on Task 14-2 at its May 2014 meeting and should provide a letter report to the Administrator outlining financial responsibility recommendations by its September 2014 meeting.

V. FMCSA Technical Representatives

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