

Why Commercial Truck Insurance Premiums Are Often Too Low | Price Digests

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5–6 minutes

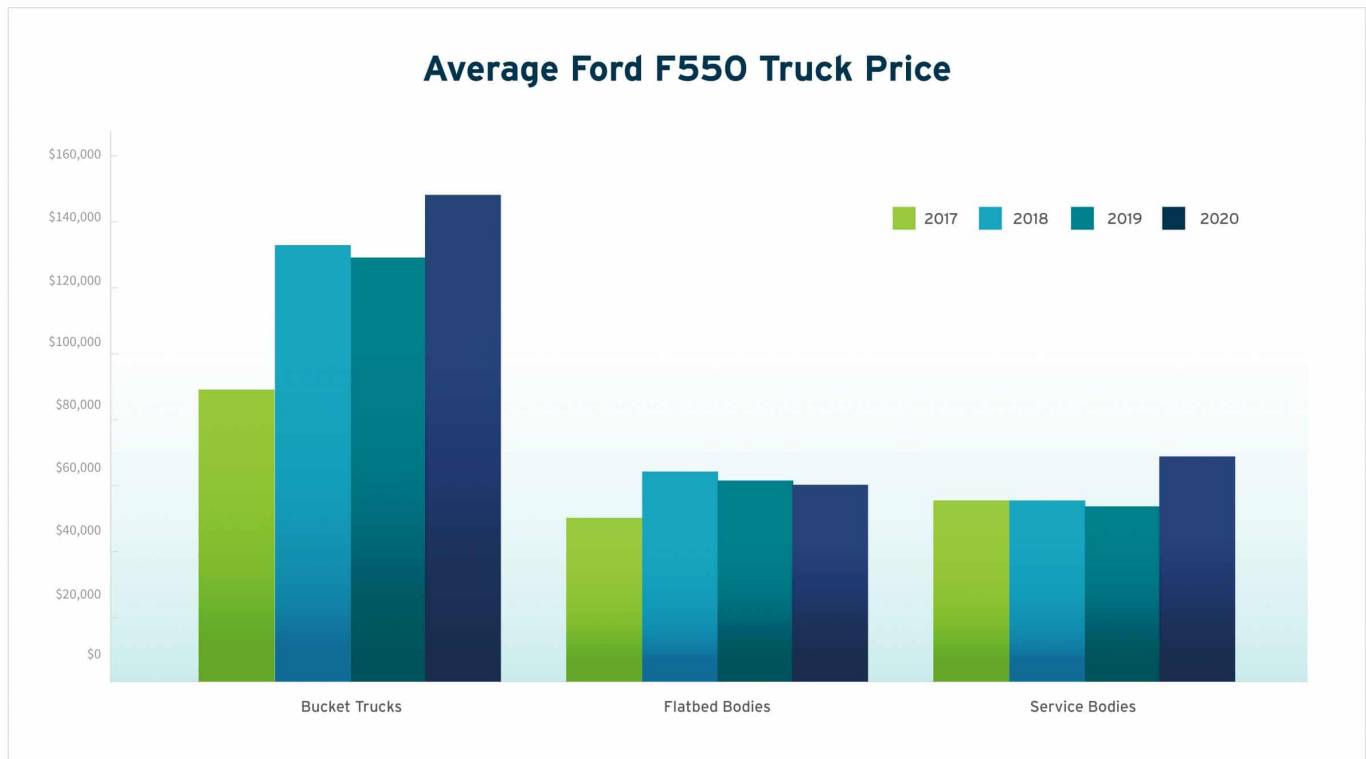
Insurance carriers are underinsuring commercial trucks up to [65% of the time](#) according to our analyses. Agents are under pressure to produce quotes quickly, and it's common to forgo the full analysis required to find out how a truck will be configured once complete, and determine its true original cost new (OCN). This is bad news for both the insurance carriers who may underquote a policy and the truck owner, who finds out that the purchased policy may not insure the whole truck.

Most of the time, insurance premiums are based on the OCN obtained from the VIN of incomplete trucks, which are cab and chassis, stripped chassis, or cutaway vans without a body or equipment attached. These vehicles require customization before being used—a process known as upfitting—which can drastically increase the truck's value. The VIN decoding rules don't tell you what type of body was added to the truck, leading to underquoting, a phenomenon we covered in more detail in a [previous blog](#). In this blog, we'll explore just how widely the values of different configurations can vary, and why it's important to address this issue now.

How values vary for completed truck configurations

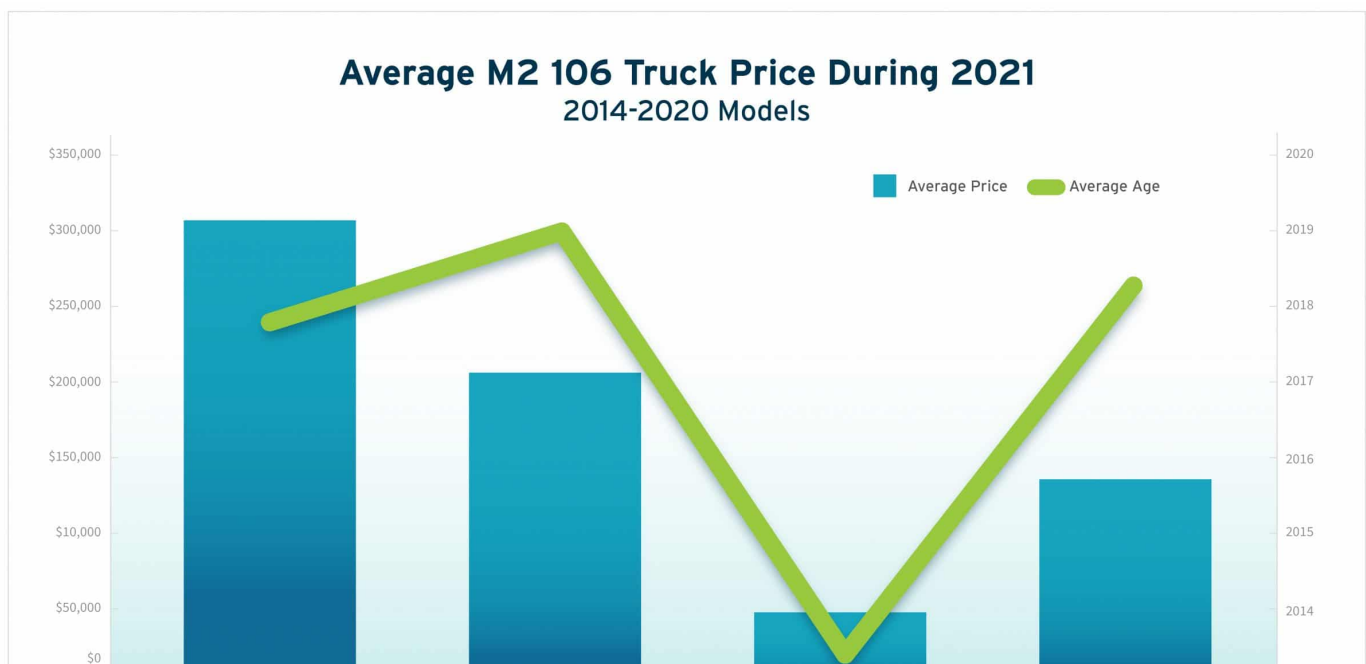
To understand just how much customizations can impact OCN, we pulled 2021 market data for different truck body categories. We focused on two very popular types of incomplete trucks: the Ford F550 and the Freightliner M2

Let's start with the Ford F550. As you can see in the chart below, values for a bucket truck differ widely than that of the flatbed or service body type.



Looking at 2020, the bucket truck configuration is \$78,020 more than the service body, and \$87,253 more than the flatbed body type—nearly 2.5 times higher.

Next, let's look at the Freightliner M2 106. For this model, the value of crane bodies and bucket truck configurations are significantly higher than the values of flatbed and service bodies.



Focusing on the 2019 model year alone, there is a \$162,838 difference between the value of bucket trucks and crane bodies. Bucket trucks are nearly three times as much as service bodies, with a value difference of \$280,836.

Why it's important to accurately assess truck values now

So, why does this matter now? The funds from the historic Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law are beginning to be rolled out. And as large-scale construction projects begin around the country, they're expected to drive up commercial truck sales.

Experts forecast the construction sector will increase demand for all types of trucks, with [flatbeds](#) being particularly popular. Also, the bill will make fleet electrification more feasible, since it calls for the creation of a national network of 500,000 electric vehicle chargers distributed along the country's interstate highway system. With such a large potential investment in commercial vehicles, insurance carriers underquoting these trucks could see premium leakage on a massive scale. For truck owners, it could take extraordinary measures to get the full value of a truck when you make a claim.

Having the right data now will help insurers and fleet owners determine future costs for fleet upgrades and all of the trucks needed on these job sites. Tools like [TruckBody IQ™](#) enable accurate underwriting for the true value of the entire truck. These tools take the guesswork out of underwriting and allow you to insure the full vehicle value based on the exact body type or an approximation based on its usage. With measurable, justifiable data for the complete truck, you can set premiums with confidence and reduce exposure to risk.

About Price Digests

Since 1911 Price Digests has served the vehicle data needs of the [insurance](#), [finance](#), [government](#), and [dealer](#) markets through its portfolio of VIN decoding, specifications, and market value data solutions for the [commercial truck](#), [passenger vehicle](#), [marine](#), [powersport](#), and recreational vehicle asset classes. Our data insights help enterprises drive competitive advantage through asset data workflow efficiencies while also playing a pivotal role in decisions surrounding the purchase, valuation, operation, and risk mitigation of assets. Price Digests data is powered by The Truck Blue Book.

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