



PHOENIX, ARIZONA

TRANSPORTATION BUSINESS SENSE 2.0

The Basics of Transportation Insurance: Navigating a Safe and Secure Highway

An informational and educational brief produced by



- The best way to protect your business and ensure your success is to adopt the mindset of preparing for all eventualities. That is essential in a fast-moving industry such as transportation. It is particularly true for Freight Brokers given the fluid and comprehensive nature of logistics. Yet it also applies to Freight Forwarders, Motor Carriers and other transportation companies.
- Freight Broker Contingent Cargo coverage is transportation insurance that is available in both legal form and broad form.
- Freight Broker Auto Liability coverage – sometimes referred to as Contingent Auto Liability – provides bodily injury and property damage liability coverage to a freight broker or forwarder if they are brought into a lawsuit caused by a truck accident involving a motor carrier to whom they brokered a load.
- Commercial General Liability insurance coverage typically includes a General Liability policy that is intended to respond to the financial risk that can be assumed for third party bodily injury claims occurring on your premises.
- These three forms of transportation insurance coverage – Contingent Cargo, Auto Liability and General Liability -- are the three main pillars behind building a safe and secure foundation for your logistics company. With this baseline in place, Freight Brokers will not only benefit from the peace of mind of coverage against some of the highest risks of doing business, they will afford themselves more business opportunities with shippers and others requiring these coverages – especially Contingent Cargo -- to be in place. We specialize in both Freight Broker insurance coverage and Trucking Insurance.

2.0 Transportation Insurance: Navigating a safe and secure highway

2.1 Overview: Providing the basics of transportation insurance

The transportation industry is an engine of the economy. Freight Brokers, Freight Forwarders, Motor Carriers and others all play essential roles in keeping our economy going. Yet it is not without risk. Whenever there is risk, it pays to ensure that you have what you need in place. That not only involves registering with the Federal Motor Carrier Safety Administration (FMCSA) and providing evidence of either a BMC-84 or BMC-85 surety instrument – a requirement of federal law – it encompasses having basic transportation insurance coverage in place.

This is particularly important because there are many moving parts to the business given the important role played by third parties. The best way to protect your business and ensure your success in such an environment is to adopt the mindset of preparing for all eventualities.

That is essential in a fast-moving industry such as transportation. It is particularly true for Freight Brokers given the fluid and comprehensive nature of logistics, where the most successful companies thrive because they are able to keep their focus on the business at hand. They do not spend much time worrying about risk management and expensive litigation because they have the basics of transportation insurance coverage in place.

To that end, the basics – essential to navigating a secure foundation – are:

- Freight Broker Contingent Cargo, both legal form and broad form;
- Commercial General Liability
- Contingent Auto Liability

Above and beyond these three principal forms of transportation insurance, logistics companies should consider:

- Professional (E&O) Liability
- Shippers Interest Cargo
- Umbrella/Excess
- Work Comp
- Warehouse
- Property of Others
- Inland Marine
- Other exposures that need to be addressed

Trucking companies should consider:

- Auto Liability
- Cargo
- General Liability
- Physical Damage
- Other exposures that may pertain to unique aspects of your operations

2.2 What & Why? Defining contingent cargo, auto liability and general liability

Contingent Cargo Insurance

For most if not all Freight Brokers, Contingent Cargo means “peace of mind” and it is frequently required under many shipper agreements. There are two main types of Contingent Cargo products available for Freight Brokers: Contingent Cargo (Legal Liability) and Contingent Cargo (Broad Property Form):

Freight Broker Contingent Cargo Coverage – Legal liability

Contingent Cargo Coverage – Legal liability is designed to cover a freight brokers’ “legal liability” and claims expenses arising from physical loss of -- or damage to -- cargo while in a hired motor carrier’s care, custody or control. When triggered by a lawsuit emanating from cargo damage, this kind of policy covers the legal defense costs incurred by the freight broker. Legal liability coverage is typically less expensive than broad property form coverage.

Freight Broker Contingent Cargo Coverage – Broad Form

In cases where a motor carrier does not respond or pay a valid claim, Broad Form Contingent Cargo policies cover costs arising out of direct property damage to cargo dispatched to a motor carrier for an insured loss. When triggered by the denial or avoidance of a valid claim by a motor carrier or their insurer, Broad Form Contingent Cargo coverage responds with payment to the insured or loss payee for covered claims. Given that there is no requirement of a formal lawsuit, Broad Form helps protect relationships with shippers and clients. This provision – that covered claims are paid out as compared to the defense only protection of legal liability – is a key advantage of Broad Form.

Freight Broker Auto Liability Policy

Sometimes called Contingent Auto Liability insurance, this coverage provides bodily injury and property damage liability coverage to a freight broker or forwarder if they are brought into a lawsuit caused by a truck accident involving a motor carrier to whom they brokered a load. Unlike other forms of insurance that typically have an annual aggregate limit, the freight broker auto liability policy may cover up to \$1 million per each occurrence. Defense coverage will normally be provided outside the policy limits, and coverage applies -- regardless of the type of cargo hauled.

Commercial General Liability

Coverage includes a General Liability policy that is intended to respond to the financial risk that can be assumed for third-party bodily injury claims occurring on your premises.

Why should you consider Commercial General Liability Coverage? The answer is simple: To satisfy contracts! This is not just insurance speak, but it's an opportunity to have a quick reality check. And that reality is that shipping contracts are including General Liability in the insurance requirements with greater frequency. Landlords and affiliated businesses also require this in the agreements that you will encounter as your brokerage expands. The PFA Insurance Team can help you address the contractual terms and all those 'odd' insurance requirements. Do not stress when you are asked about 'additional insured, waiver subrogation, primary non-contributory' because we can help you get them added too.

One more reality of today's commerce and industry is that the thieves can't always be seen. They are digital, electronic, and remote in their tactics. Due to this threat, some contracts now include cyber coverage requirements. The best coverage tends to be found in specialized policies rather than those that are added onto a package that you have on other exposures. PFA has obtained access to specialized programs that will help you learn about and reduce your potential exposures and protect you if something does occur.

2.3 Shippers Interest and Other Common Needs

Whether you're a Freight Broker, Freight Forwarder or Motor Carrier, expanding your business opportunities is a keystone to business strength and independence. One of the surefire ways for Freight Brokers to increase their revenues is Shipper's Interest. A small investment in Shipper's Interest and other carefully selected transportation insurance products can help grow your business. Some things to think about as you map out a plan that will take you through the current disruption include:

- **Shipper's Interest**, which can be an effective way to cover high-value cargo, protect key shipper relationships and provide insurance at the time it is needed without facing costs in advance;
- In addition to Auto and General Liability, **Umbrella/Excess Liability** may also arise in the insurance requirements of certain shippers.

When a shipper provides you with their insurance requirements, be aware of three additional coverage requirements. Often called endorsements, these coverage requirements need to be addressed so that we can get you set up correctly from the start. The requests you should clarify with the shipper may include:

Additional Insured (AI) – This typically applies to liability coverage. Based on the coverage, specific terms may be required by the requesting party;

Waiver of Subrogation (WOS) – In the case that a claim is paid under the policy, this endorsement is intended to prevent the recovery of money from the party named on this form;

Primary and Non-Contributory (PNC) – This is intended to make the policy pay before other policies without seeking contributions from the other policies that could be noted as primary (non-contributory).

2.4 Questions or Concerns?

Whether you are a Freight Broker, Freight Forwarder or Motor Carrier, all that you need to do is call us if you have any questions about your particular situation or circumstances, or how to go about putting the essential transportation insurance policies in place. If you have any questions regarding Contingent Cargo, Auto Liability or General Liability insurance coverage – or any of the other forms of coverage outlined in this brief, we have experienced PFA associates standing by to answer your concerns and walk you through the process.

Give us a call at 1-800-595-2615 and a Commercial Insurance Advisor will be ready to help. You can also send an inquiry to agency@PFAProtects.com and we'll set a convenient time to review this with you.

Our bottom line: Setting you up with the coverage you need and providing you with a Certificate of Insurance that can help you secure contracts and give you a solid foundation. We are here to help protect your business and ensure your success!

We're here to give you What You Need, When You Need It. And that includes the kind of knowledge, expertise and experience we are committed to sharing with you across multiple platforms.

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