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TRANSPORTATION BUSINESS SENSE 1.0

The Power of Freight Broker Authority

An informational and educational brief produced by



**Transportation Insurance
& SURETY SERVICES**
What You Need. When You Need It.™

SUMMARY

- There are both significant economic and legal reasons for a Motor Carrier to have Freight Broker authority, granted by the Federal Motor Carrier Safety Administration (FMCSA), to allow a company to arrange the transportation of third-party cargo by employing professional motor carriers to deliver the cargo.
- Having Freight Broker authority in place removes the risk of hefty fines for illegal brokering in violation of federal MAP-21 legislation, which requires Motor Carriers who broker freight to have either a surety bond (BMC-84) or trust agreement (BMC-85). This in turn allows Motor Carriers to take advantage of new opportunities to broker freight themselves.
- Gaining Freight Broker authority is a very simple process, particularly when undertaken by an industry expert like PFA that is unique in its expertise and experience in both transportation insurance services and transportation surety.
- 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.

1.1 The Power of Freight Broker Authority

1.1.1 – Business growth on the strength of Freight Broker Authority

The top line reason for Motor Carriers to take on Freight Broker authority (in addition to their existing Motor Carrier authority) is very straightforward. It's about the increased revenues that come along for the ride.

Let's talk money. It's this simple - you can better serve your customers by being able to handle more of their volume. What does this mean for Motor Carriers? More money due to the increased capacity to handle all of your shippers' transportation needs by having both Freight Broker and Motor Carrier authority. This will enhance your availability to shippers and show compliance for all of your customers' freight movements. You can LEGALLY make commission from everything contracted with your shippers including loads you may have to hand off to other carriers for maximized efficiency.

Your customers will recognize and value your compliance with the law, not to mention your versatility to meet their needs. Leading Motor Carriers realize that Freight Broker authority adds unlimited economic value. Taking on the role of Freight Broker is a natural next step for experienced Motor Carriers who literally work on the ground floor of trucking and transportation and take their responsibilities seriously as key players in the shipping process. This small investment in your business is simply too valuable to be overlooked.

1.1.2 - What are the advantages of broker authority for Motor Carriers?

In addition to the significant economic advantages for Motor Carriers, there are fundamental legal reasons for having broker authority. The federal legislation known as MAP-21 requires Motor Carriers who broker freight to have either a surety bond (BMC-84) or trust agreement (BMC-85). The penalty for violating these provisions -- brokering freight without authority -- is a \$10,000 fine per load and unlimited liability damages. Having Freight Broker authority in place removes the risk of illegal brokering in violation of this legislation while ensuring that the company can take advantage of new opportunities to broker freight.

1.1.3 - The process is simpler than you might think

Contact PFA. We will quickly explain how easy and cost-effective it is to gain broker authority. Particularly, when undertaken by an industry expert such as PFA that has unparalleled expertise and experience in both transportation insurance services and transportation surety. PFA is uniquely qualified in both areas. We can guide you through the entire process in one phone call. An initial analysis of the Motor Carrier's existing contracts is always a requisite first step. We're here to assist our clients in achieving full compliance and to help Carriers better serve their existing clients.

The basic steps in the process of gaining active broker authority include:

1. Application through the FMCSA Unified Registration System

While it is true that the FMCSA allows existing Motor Carriers to use their current United States Department of Transportation (USDOT) Number and issue a separate Motor Carrier Number for the broker authority, most insurance providers insist that it be a separate USDOT number and entity as well. PFA can assist you through this application. After the MC and USDOT numbers are assigned, PFA provides the next two steps as well.

2. Proof of Insurance Coverage: A Surety Requirement

A surety bond (BMC-84) or trust fund agreement (BMC-85) is required in the amount of \$75,000. PFA offers both the BMC-84 and the BMC-85 and has several plan options and billing types available to suit the needs of any Motor Carrier business.

PFA also offers all of the transportation insurance services that a Freight Broker needs to protect themselves and to satisfy Shippers' requirements (this will increase your load opportunities).

3. Form BOC-3: Designation of Process Agent form

A process agent is a representative upon whom court papers may be served in any proceeding brought against a Motor Carrier, Freight Broker or Freight Forwarder. Brokers are required to list process agents (separate from their Motor Carrier BOC-3) in each state in which they operate an office and write contracts. PFA provides this service as part of the application process.

1.1.4 – Ensuring you have the right bond in place

In obtaining your BMC-84 or BMC-85, a Motor Carrier should have at least a basic understanding of relevant aspects of MAP-21 legislation and the intent of the FMCSA in enacting these changes in 2013. Our experienced PFA team can provide an educated explanation and help you make the right decisions in terms of what you put in place. Over the past several years, the bond requirement has been set at \$75,000, largely to ensure clear accountability and high industry standards. PFA will work with you to assess your financial capacity, your credit score and other key business performance indicators to ensure you are paying the appropriate bond premium. PFA will work with you to provide the best plan option for your company based on financial strength and business needs.

1.1.5 – Preparing for all eventualities

The best way to protect your business and ensure your success is to adopt a mindset of preparing for all eventualities. That is particularly essential in a fast-moving industry such as transportation.

This is why -- as an advocate and champion of safety and best practices in the logistics industry -- PFA Transportation Insurance & Surety Services is a leading proponent of Motor Carriers adding Freight Broker authority to their existing carrier authority. It is good business practice at so many levels, from compliance to regulations to increased capacity and expediency in booking work flow and contracts.

The bottom line is that Motor Carriers can maximize their business opportunities by getting Freight Broker authority. PFA is here to help make it simple, fast, and seamless.

1.1.6 – Questions or concerns?

All you need to do is call us! If you have any questions regarding gaining Freight Broker authority and the business advantages that come with it, we have experienced PFA associates standing by to answer your concerns and walk you through the process.

Call us today at 1-800-595-2615 or email us at sales@PFAprotects.com.

Visit our website for more information at PFAprotects.com.



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