

## Freight Broker Insurance

### Freight broker contingent cargo liability insurance overview:

There are four types of insurance policies brokers can obtain to protect them in the unfortunate event that a carrier and their insurance company, for whatever reason, fail to assume responsibility for a claim. This could be due to a dispute concerning negligence, insufficient levels of coverage, or even a lapse in coverage due to carrier non-payment.

### Types of Freight Broker Insurance

**Contingent Cargo Liability:** Cargo liability insurance is for the protection of brokers when a carrier's primary policy does not cover the loss or damage caused to the commodity being transported. This type of coverage usually includes assistance in the collection of freight claims from carriers and their insurance providers, as well as cover legal costs relating to lawsuit defense or payment of the cargo claim up to the policy limit.

**Contingent Auto Liability:** Auto liability is designed to protect brokers and/or freight forwarders in the event the carrier they have contracted is involved in an accident in which bodily injury, property damage, or death occurs. Usually defense coverage is provided under this type of policy, including arrangements for an attorney assigned by the insurance company for the broker/forwarder's defense. It will also cover the cost of the agreed settlement amount up to policy limits should the broker/forwarder be found liable.

**General Liability:** General liability is designed to cover liabilities assumed by a broker due to circumstances other than cargo or auto liability, such as an injury caused to a third party - for example: by the unloading of a truck, rather than as a result of a vehicle accident. As with the above-mentioned insurance types, defense coverage is usually provided in most policies, and an attorney is assigned by the insurance company to

defend the broker, or if found liable, to cover the settlement amount (up to policy limits, of course).

**Errors and Omissions Insurance:** Also known as E&O insurance, this coverage, as the title states, covers damage or financial loss incurred by your customer due to an error or omission on your part. For example, you mistakenly send a time-sensitive load to the wrong location causing your shipper/customer to lose not only that sale, but most likely all future sales, as their reputation is likely tarnished in the eyes of the consignee. It is not the carrier's fault, as he has followed your direction. Guess what? YOU are liable for the loss.

### **Reputable Resources**

[www.FreightGuard.com](http://www.FreightGuard.com)

[www.ContingentCargo.com](http://www.ContingentCargo.com)

[www.RegistryMonitoring.com](http://www.RegistryMonitoring.com)

## **What about my surety bond?**

Your surety bond is entirely different from contingent liability insurance. Your surety bond or trust fund is intended to protect those with whom you do business, for example, you fail to pay a carrier for a load you brokered. The carrier can file a grievance against your bond. Contingent liability insurance, on the other hand protects YOU, as stated above.

## **Why should I be insured if it is not legally required?**

Whilst as of this writing, brokers are not legally required to obtain this supplemental or "contingent" insurance, it is certainly highly recommended and in your best interest, as a broker, to do so.

Sure, carriers are responsible for providing you with their valid and current certificate of insurance, and it is obviously important to pay close attention to the details of the policy

including coverage amounts. Even if you diligently check the validity and accuracy of your carrier's insurance policy, and everything is in place, consider the following:

**Scenario #1** - You check your carrier's insurance certificate, everything looks good, so you broker a load of say, sheet metal for a large apartment complex roofing job, and while in transit, one or more of the sheets are caught by wind and come loose entering the roadway. This results in a car accident which seriously injures several people. The motor carrier's insurance company denies the claim because they believe the negligence lies on whoever failed to secure the load properly. You, the broker, are certainly not at fault, but could be found liable in the end, and will certainly be grateful you opted to maintain contingent auto liability insurance.

**Scenario #2** - Take scenario #1, same load, same destination, same carrier. You've used this carrier before, several times in fact, so you've reviewed their insurance certificate, and you know their insurance is good through January of the following year. It's only been a couple of months since you've used this carrier, and it is far from their policy expiration date, so you're confident you can skip the redundant task of "checking" their insurance certificate again. So, you broker the load, and off it goes.

Well, unfortunately, while this carrier was taking his much-needed break, sound asleep at his favorite truck stop, someone made off with 33 sheets of metal! That's okay, right? The carrier's cargo liability insurance (which YOU knew to be valid and up to date) will cover that, right?

Wrong. Your carrier allowed his policy to lapse due to non-payment, and his insurance company assumes no responsibility for this loss. You guessed it. YOUR contingent cargo liability insurance will certainly come in handy in this predicament.

## **How Do I Know if a Carrier Has Allowed their Policy to Lapse?**

Fortunately, there are monitoring services that can handle this automatically. For the sake of simplicity, we will mention only the most reputable of them here:

[Carrier411.com](http://Carrier411.com) offers a monitoring service enabling you to monitor and qualify carries for insurance policy changes, safety ratings, and more. A particularly useful tool is the "due diligence certificate" they offer. This certificate provides you with evidence (which you can print and file with each load) proving that you have reviewed and qualified a carrier. This essentially "proves" your diligent effort to research and review the stats of your carrier before you hired him. Their database tracks ALL motor carrier numbers, including all new MC numbers issued by the FMCSA. For more information, visit [www.Carrier411.com](http://www.Carrier411.com).

Registry Monitoring Insurance Service Inc. (RMIS) offers brokers the following: Carrier Insurance Tracking, Contingent Cargo Insurance, Claims Assistance, DOT Reporting, and Insurance Verification. Therefore, RMIS offers both insurance and monitoring, under one roof. These services can be integrated with most broker software as well, putting a number of your tasks in one solitary place. For more information, visit [www.RegistryMonitoring.com](http://www.RegistryMonitoring.com).

Both services are well worth it in comparison to "guessing" the integrity of your carriers. Assuming can not only cause you great financial loss, but also place your own business reputation in jeopardy. Quality freight broker software can further automate this task by integrating your carrier monitoring service. Doing so enables you to work from one solitary place and be confident that your carrier is in compliance prior to dispatching them under a load.

### **Conclusion**

By now, it is probably clear why you should be insured insofar as protecting your brokerage from liabilities. With that being said, you should also consider the fact that many shippers will not do business with a broker who does not offer this added protection. Therefore, by not having at least a Contingent Cargo Liability policy, you essentially limit both your prospective freight customer base and your income potential.