Transportation & Logistics Council 2016 Conference

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Cargo Insurance options considered and the biggest financial risks facing domestic logistic operations.

Transportation & Logistics Council 2016 Conference

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Questions considered

- What is the intent of the various forms of cargo “legal” coverage available in the market place?
- Why is there such a misunderstanding on the “intent” of contingent cargo coverage in the market place?
- What are the problems in relying on the motor carrier’s cargo coverage?
- What is the best form of cargo coverage designed to respond for FTL shipments when a motor carrier fails to respond to cargo claim?
- What cargo coverage options to consider for LTL shipments where motor carrier have limited liability under their tariffs?
- FTL shipments when the actual value of exceed $100,000 – The need for instant excess cargo?
- Why is it important to fully vet motor carriers including their cargo coverage?
- What is the most important line of coverage a domestic freight brokerage operations should have in place?
- How does best practices and risk management effect the cost of your insurance?
- What are Shipper-Broker Contract trends to be concerned with in the market?

What is the intent of the various forms of cargo “legal” coverage available in the market place?

- **Domestic cargo legal forms --- Contingent Cargo Legal**
- **International cargo legal forms --- Cargo Legal Liability**
- **Intent of cargo legal coverage? --- DEFENCE,DEFENCE,DEFENCE**
- **Are they shipper friendly? --- No**
- **Is there any need for them? --- Yes**
- **The best formats contain Duty to defend clause.**
- **The best formats Cover legal cost from 1st dollar.**
- **The best formats have policy limit that read “per occurrence” not “aggregate limit”**
- **The best formats can be extended with errors and omissions coverage.**
- **The best formats also can cover other financial exposures of litigation related to;**
- **Pollution clean-up expenses.**
- **Liability for libel & slander.**
- **Fraud of employee**

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Why is there such a misunderstanding on the “intent” of contingent cargo legal coverage in the market place?

- **Accord certificates don’t confirm coverage terms.**
- **Failure of logistic companies to clearly communicate their trading terms to shippers.**
- **Failure to communicate extent of liability assumed under domestic freight broker authority.**
- **Inland Marine Class.**
- **Failure to read policies and ask questions.**
- **Failure to explain nature of contingent cargo legal to clients.**

What are the problems in relying on motor carrier’s cargo coverage?

- To much reliance on liability motor carrier’s assume under Carmack and broker carrier agreements.
- Failure to understand the many loop holes in motor truck cargo formats.
- Lack of assets present in many motor carriers.
- Can’t get blood from a stone.

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What is the best form of cargo coverage designed to respond for FTL shipments when a motor carrier fails to respond to cargo claim?

- **Cover triggers contingent cargo legal format?**
- **Cover trigger under Marine Cargo or Inland Marine All Risk form?**
- **Will cover from point of origin (worldwide if required) to final point of destination.**
- **Will cover in “due course of transit’ includes temporary storage.**
- **Can be extended to long term storage**
- **Covers cost of goods.**
- **Can cover cost of freight charges.**
- **Can cover cost of cargo insurance.**
- **Plus 10% or higher for unforeseen expenses associated with claim.**
- **Cost can be per shipment.**
- **Or annual policy covering all shipments.**
- **Covers both the owner and the logistics company.**

What cargo coverage options to consider for LTL shipments where motor carrier have limited liability under their tariffs?

- Tariffs as little as .50 per lb.
- Full valued declared bill of ladings?
- Fed Ex, UPS, DHL cost .50 to .75% on the valued declared.
- Full valued declared bill of lading still form of cargo legal (acts of god not covered)
- Under All Risk form acts of god covered.
- Under your own shipper’s interest program cost would be half or less.
- As above covers C.I.F. plus 10%
- Technology platforms allows coverage to be instantly put in place.
- Costs are passed on to shippers

FTL shipments when the actual value of exceed $100,000 – The need for instant excess cargo?

- $100,000 most common MTC limit.
- Need for immediate excess cargo coverage when values exceed this limit
- Motor carriers own cargo insurer’s can’t respond to time sensitive need for this to be put in place.
- Technology platforms now in place to instantly quote, bind and pay for this excess cargo coverage.
- Instant evidence of coverage through web-site allows shipment to be picked up.
- Allows freight broker wider selection of motor carriers.
- Helps motor carrier pick up more loads even when values exceeds their own cargo policy limit.

Why is it important to fully vet motor carriers including their cargo coverage?

- **Inland Marine unregulated class of insurance.**
- **Wide variety of coverage.**
- **Accord certificates gives you nothing on coverage.**
- **Exclusion and warranties in MTC forms.**
- **Have scanned copies of MTC policies on file.**
- **At least list of exclusions and excluded cargo.**
- **Authority status?**
- **Filed Auto coverage?**
- **Safety rating?**
- **Market the quality and professionalism of your vetting process.**

What is the most important line of coverage a domestic freight brokerage operations should have in place?

- 4000 fatalities accidents annually involving Motor Carriers.
- 11 fatalities a day.
- 120,000 injury accidents annually involving Motor Carriers.
- 329 injured a day.
- 90% of motor carriers 1 million of auto liability coverage.
- Average judgment 2.6 million
- Per fatality!
- Primary Auto Liability coverage.
- Contract all motor carriers from Freight Broker authority in separate corporate entity.
- Limited liability under this authority, federal definition and exempt for Cargo and BI claims.
- Unlimited liability for motor carriers -- No tort reform laws for motor carrier authority passed.
- Map 21 impact on freight forwarding authority… Scary.
- Do not hold your selves out as motor carrier, in your web-sites, in your advertising, in contracts you sign.
- Skilled legal council required.

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How does best practices and risk management effect the cost of your insurance and growth of your top and bottom line revenue?

- Avoids you from holding yourself as motor carrier.
- Avoids the nightmare 24 million judgment.
- Lower claims = lower premium.
- Best practices = more clients landed.
- Best practices = more clients retain.
- Best practices = growth or top line revenue.
- Best practices = growth of net bottom line revenue.
- Market your excellence in this area to shippers.

Shipper-Broker contract concerns

- Should Broker’s propose they be in place with shippers?
- What are the main concerns with shipper-broker contracts;

1. Misclassify freight brokers as motor carriers or forces them to assume the liability of a motor carrier.
2. Open ended indemnification clauses, where you are liable for “everything”.
3. Contractual liability is strict and absolute difficult to defend.
4. Some exposures contractually assumed are simply uninsurable.

- Is there a better approach for shippers than contractually making a broker liable for everything and misclassifying freight brokers a motor carriers?

1. Indemnification – What can be insured? --- Cost of a cargo claim, cost of providing legal defense.
2. What do you want standing behind an indemnification provisions – insurance funded by a company with billions of assets or a freight broker’s balance sheet?
3. Indemnification clause should they be mutual?

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