MONITORING CARRIER LIABILITY

In most cases, shippers are on their own in determining who has coverage and who doesn't

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In March, the U.S. Department of Transportation's Federal Motor Carrier Safety Administration put into practice its decision to eliminate the requirement for most "for-hire" motor carriers of property and freight forwarders to maintain cargo liability insurance in prescribed minimum amounts and to file evidence of insurance with the FMCSA. This change does not apply to household goods motor carriers and household goods freight forwarders — they are still subject to the requirement — but it will affect everyone else.

A consequence of the ruling is that logistics managers and shippers can no longer rely on the FMCSA to ensure their truckers maintain at least minimum levels of insurance. More than 166,700 for-hire motor carriers and 1,600 forwarders are registered with FMCSA, and thus significant challenges arise in ensuring hired carriers maintain adequate coverage. It's been about five months since the rule change, and while every business hiring trucking services may not have been affected yet, chances are they will be if monitoring procedures aren't put into practice.

Each company should decide if it is prepared to take on this duty itself or if it should outsource the responsibility to a monitoring service. Keep in mind, monitoring is an enormous task correlated to the number of carriers used and the size of the staff available to maintain current carrier records. Ultimately, the decision is based on each individual company's needs and resources and should only be made after careful consideration. Should a business choose the path of self-monitoring, it might consider the below suggested practices:

- Require a certificate of insurance evidencing workers' compensation, general liability, automobile liability and motor truck cargo liability insurance from all truckers.

- Ensure that the hiring company is named as a certificate holder.

- Ensure coverage is placed with an insurance company with an A.M. Best's Financial Strength Rating of "A minus" or better.

- Set up a reminder calendar to request updated certificates of insurance annually. Request this information at least 30 days before the carrier's insurance expires.

- When using property brokers, require proof of contingent cargo insurance. This provides an additional level of cargo coverage should the trucker's insurance fail to respond.

- Instruct the operations team not to use carriers unless updated and satisfactory insurance is on file.

- Consider requiring higher cargo liability limits for high-value and/or high-risk moves.

- Visit the Federal Motor Carrier Safety Administration's Web site, www.safersys.org, to review trucker safety ratings and accident information.

While the above practices may reduce the cargo owner's exposure to hiring uninsured carriers, the most prudent approach is to secure "shipper's interest" coverage for all truck moves. Shipper's interest coverage can be purchased on a trip-transit or annual basis and would remove the carrier from the equation of compensating a shipper in the event of a loss. Securing shipper's interest is the best approach to protecting the cargo owner. However, it does not relieve the need to verify that carriers have adequate cargo liability coverage. BB

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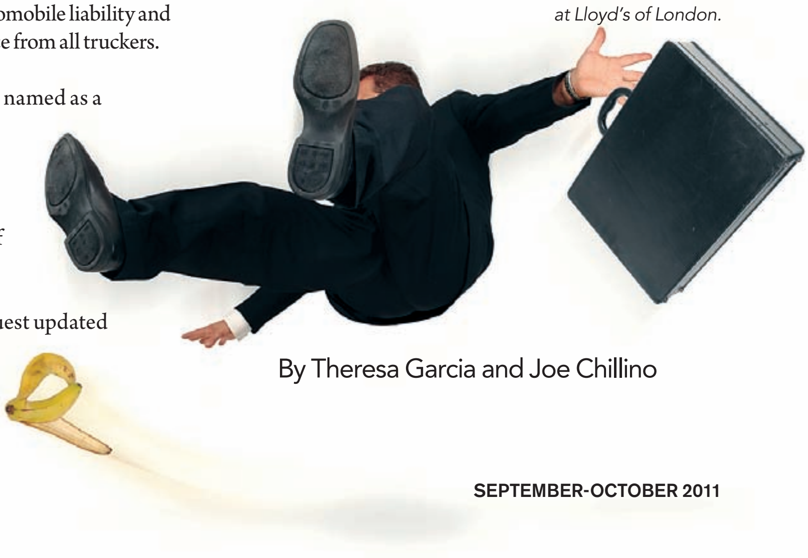

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