



Logistics Professionals Should Prepare for FMCSA Final Ruling

The Department of Transportation's Federal Motor Carrier Safety Administration (FMCSA) issued a final rule (49 CFR Parts 365 and 387) which is effective March 21, 2011. It will affect cargo insurance requirements for most for-hire motor common carriers of property and freight forwarders.

The new rule, applicable to the above mentioned parties, eliminates the requirement to (1) maintain cargo insurance in prescribed minimum amounts and (2) file evidence of insurance with the FMCSA. Household goods shipped by motor carriers and freight forwarders will continue to be subject to the cargo insurance requirement.

What Does this Mean to Logistics Managers?

There are about 166,700 for-hire motor carriers and 1,600 freight forwarders registered with FMCSA today. Given the upcoming change, it is going to be more important than ever to have proof of insurance for each for-hire common carrier or freight forwarder with which your company works. Logistics managers will no longer be able to rely on the FMCSA to ensure that their truckers maintain at least minimum levels of insurance.

How to Prepare

Take proactive measures to help manage your financial exposure when contracting with for-hire motor common carriers of property and freight forwarders:

1. Do not rely on your carrier's motor truck cargo insurance to manage your exposure to cargo loss or damage. Instead, consider securing your own shipper's interest cargo insurance policy which will answer claims of cargo loss or damage, directly for you, and subrogate against the carrier as appropriate. This coverage is extremely affordable (fractions of percents of the cargo value) and can relieve much of the anxiety, administrative burden and risk of denial associated with motor truck cargo insurance claims.
2. Know your carrier's prescribed legal limit of liability and understand how it may be applied to your claims. The carrier's legal limit of liability may be very different from their Motor Truck Cargo Insurance Policy's limit of liability.
3. Require a certificate of insurance evidencing workers' compensation, general liability, automobile liability and motor truck cargo liability insurance from all truckers.
 - a. Ensure that you are named as a certificate holder.
 - b. Ensure coverage is placed with an insurance company with an A.M. Best's Financial Strength Rating of "A-" or better.
 - c. Set up a reminder in your calendar to request updated certificates of insurance on an annual basis. Request this information at least 30 days before the carrier's insurance expires.
 - d. When using freight or property brokers, require proof of contingent cargo insurance. This provides an additional level of cargo coverage should the trucker's insurance fail to respond.
 - e. Instruct your operations team not to use carriers unless current and adequate proofs of insurance are on file.

- f. Motor truck cargo liability limits should be no less than the value of the cargo that you tender to them.
- g. Visit the Federal Motor Carrier Safety Administration's website www.saferys.org to review trucker safety ratings and accident information.
- h. Seek the advice of your Roanoke Trade representative to understand the limitations, exclusions and other restrictions of motor truck cargo insurance.

Avoid unnecessary transportation risks in the supply chain. Contact Roanoke Trade today and we'll assist you with proactive measures to reduce financial exposure for you and your clients.

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