



Blog by Tommy Ruke, The King Pin – Leading Expert in Truck Insurance

COVERAGE DIFFERENCES BETWEEN A HAULED LOAD AND/OR A BROKERED LOAD

I received the following question after one of the sessions on GL:

“What exposure, if any, is there if a named insured has an AL and GL package policy and the named insured has broker’s authority under another name and DOT# but on the same premises?”

There is not an easy answer and I guess the reason for the question. The companies’ set-up as you outlined is that there are two different legal entities, different MC#’s and DOT#’s but working out of the same location and the companies have the same ownership – One a motor carrier and one a broker. This is the way the attorneys we have input from suggest how the businesses should be set up.

The first consideration is to make sure that the named insured on each policy is the only legal entity you are insuring (not the other entity or owners). Second, make sure the BOL’s are properly issued. In other words, when the brokerage provides a load to a motor carrier other than the one they own, the “carrier” reflected on the BOL is the other motor carrier.

Crash happens – Motor carrier hauling the load is named in suit and the broker is named because of their vicarious liability for allowing the motor carrier to haul the load. The insurance policy on the truck hauling the load will address the claim, will provide defense to the broker because they qualify as an insured under the motor carrier’s policy by virtue of the “who is an insured” provision (BAC and MCCF – “Anyone liable for the conduct of an ‘insured’ described above but only to the extent of that liability.”) The broker has defense and if payment is made to settle the claim, then the AL of the motor carrier hauling the load has to get a release from all who qualify as an insured (broker). If not settled, then the GL policy on the broker would step up in excess of the coverage on the AL of the motor carrier hauling the load. The motor carrier that is the same ownership as the broker would not be involved in the case because they were not involved in the arrangement or hauling of the load.

Now let’s say that the load is hauled by the motor carrier that has the same ownership as the broker. If the load was arranged directly with the shipper or another broker, then the insurance on the motor carrier would address the claim and the broker would not be named in a suit because they are not involved in the

transportation of the load. Their GL might have to get their insured, the broker, removed, but should be easy to do because they are not involved in the movement of the load.

If the load was one the broker arranged and provided to the motor carrier which has the same ownership as the broker, then the policy will address the claim as set out earlier.

Ownership does not establish liability if the legal entities are properly set up. In this case, the GL carrier of the broker could have more exposure than the AL policy on the motor carrier who is hauling the load even if the same ownership.

Again, this addresses the exposure where there is a clear division of operations with the same ownership. If there is not a clear division of operations, then yes both could be named in the case, but I would expect the owner to follow the steps outlined.