



IN-DEPTH REVIEW OF COVERAGE ADDRESSING THE UNIQUE OPERATIONS OF A MOTOR CARRIER





AUTO LIABILITY SYMBOL – “OTHER THAN ANY/SPECIFICALLY DESCRIBED AUTO”

**THIS WEBINAR IS NOT FILED FOR STATE CE
AND IS A LEARNING OPPORTUNITY ONLY**



QUESTIONS

If you have any questions, please send an email to:
trs@mcief.org



POLICY WORDING

Auto Liability Insuring Agreement

A. Coverage

We will **pay** all sums an “**insured**” legally must pay as damages because of “**bodily injury**” or “**property damage**” to which this insurance applies, caused by an “accident” and resulting from the ownership, maintenance or use of a **covered “auto”**.



THE SYMBOL

- What is a covered auto?
- The number listed in Item Two



CONSIDERATION

- For the policy to respond, the accident must be caused by an auto that meets the description of the symbol that defines a “covered auto”



ITEM TWO

SCHEDULE OF COVERAGES AND COVERED AUTOS

This policy provides only those coverages where a charge is shown in the premium column below. Each of these coverages will apply only to those "autos" shown as covered "autos". "Autos" are shown as covered "autos" for a particular coverage by the entry of one or more of the symbols from the Covered Autos Section of the Business Auto Coverage Form next to the name of the coverage.

COVERAGES	COVERED AUTOS (Entry of one or more of the symbols from the Covered Autos Section of the Business Auto Coverage Form shows which autos are covered autos.)	LIMIT THE MOST WE WILL PAY FOR ANY ONE ACCIDENT OR LOSS	PREMIUM
LIABILITY		\$	\$
PERSONAL INJURY PROTECTION (or equivalent No-fault Coverage)		SEPARATELY STATED IN EACH P.I.P. ENDORSEMENT MINUS \$ DED.	\$
ADDED PERSONAL INJURY PROTECTION (or equivalent added No-fault Coverage)		SEPARATELY STATED IN EACH ADDED P.I.P. ENDORSEMENT.	\$
PROPERTY PROTECTION INSURANCE (Michigan only)		SEPARATELY STATED IN THE P.P.I. ENDORSEMENT MINUS \$ DED. FOR EACH ACCIDENT.	\$
AUTO MEDICAL PAYMENTS		\$	\$
UNINSURED MOTORISTS		\$	\$
UNDERINSURED MOTORISTS (When not included in Uninsured Motorists Coverage)		\$	\$



COVERED AUTO

- Policy will use numbers to tell what type of auto as it relates to the insured will require the policy to respond
 - These numbers will be shown in Item Two of the dec and documented
 - There has to be a number for all coverage needed
- The number (symbol) will have meaning – It defines the autos that are covered autos
- Insured must have the correct symbol to have coverage at time of accident for each coverage needed



CONSIDERATIONS

- Things unique to “truckers/motor carriers”
 - Government regulation
 - Registration
 - Financial responsibility imposed by federal and state governments
 - Insurance provider meets requirements
 - » Promise to protect the public including both owned and non-owned autos



CONSIDERATIONS CONT.

- If no coverage, then still could be an obligation to address damage to public because of the 91X filing, MCS90 endorsement or State Form E
 - These financial requirements do not provide coverage to insured (not even defense) but do obligate the insurance carrier to pay a judgment rendered
 - Financial responsibility obligates the insurance company who provides the proof to protect the public
 - If there is no coverage in policy if the accident was caused by a CMV – An auto 10,000 GVW or larger whether or not it is specifically described on the policy



PREMIUM CONSIDERATIONS

- Premium for exposure
 - Premium based on “auto”
 - Power units and trailers
 - That the motor carrier operates
 - » As part of their business and under their DOT#/MC#
 - » Owned or not



PREMIUM CONSIDERATIONS CONT.

- Verification of units used by the motor carrier
 - Underwriting to establish estimated premium at inception
 - Monitoring during term inspections/reports
 - End of term audit



INFORMATION FROM THE INSURED

- Owned
- Financial statement
 - Revenue - \$200,000 per unit
- Non-Owned
 - Leased
 - Finance company(ies)
 - Owner-operators
 - 1099



PUBLIC INFORMATION

- Safer – Information provided by motor carrier to government (150) updated biannually
- Units/Drivers/Mileage
 - 1 – 1 – 105,000
- Roadside Inspections
 - Unit serial# listed on inspections
 - Review before providing quotation
 - After initial inception, unit not on list/schedule
 - Why not?



COVERED AUTO CONT.

- Hired Auto Only - 68

68	Hired "Autos" Only	Only those "autos" you lease, hire, rent or borrow. This does not include any private passenger type autos you lease, hire, rent or borrow from any member of your household, any of your "employees", partners (if you are a partnership), members (if you are a limited liability company), or agents or members of their households.
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- Would consider an auto that the motor carrier leases from an OO/IC
- Provides Hired Auto to satisfy customer/motor carrier requirements
- Verify units used by tractor with inspections under motor carriers DOT#
- Insurance carrier would want to have OO/IC's auto listed in policy – Premium and underwriting - Auditable



COVERAGE FOR AUTOS NOT OWNED OR SCHEDULED

- Insured hired and non-owned auto exposures may be addressed by adding 68 to any symbol used other than 61 (Any) – (71) Any Auto 10,000 GVW or Larger
 - This makes these non-owned autos “covered autos”



HIRED AUTO EXPOSURE

- “You lease, hire, rent or borrow”
- When would an insured other than a for-hire interstate motor carrier use a “hired” auto?
 - Temporary substitute
 - When an owned auto is out-of-service
 - Coverage for liability already in form
 - No premium
 - Need unit short-term for increased business
 - Employee of insured driver and unit is used by insured
 - In both cases, would rental company require proof of insurance before they allow the unit to be rented?



HIRED AUTO EXPOSURE CONT.

- Unique exposure for for-hire interstate motor carriers
 - Use owner-operators as part of their business
 - Lease/DOT# on non-owned auto/BOL in insured's name
 - Responsibility for damage to public is insured's
 - If not a “covered auto”, public protected
 - » 91X/MCS90
 - Subject to audit
 - No proof of insurance required when insured leases the non-owned auto from an owner-operator
 - If truck is stopped and inspected, inspection reported based on the DOT# of insured and VIN reflected



HIRED AUTO EXPOSURE CONT.

- Owner-operator's leased auto would be a covered auto if Hired Auto Symbols 68/61/72 10,000 GVW or larger is provided
 - But insurance provider wants all units, even owner-operator units, listed on policy



CONSIDERATIONS

- Hired Auto Added to Specifically Described Symbol – 68
 - Customer requirements
 - Federal/State financial responsibility requirements (91X/MCS90) makes the insurance company pay for public damage caused by hired autos the insured uses as part of their business
 - The hired exposure of a for-hire interstate motor carrier is when they use owner-operators



CONSIDERATIONS CONT.

- Hired rate high – Makes it less costly to specify
 - Rate 1 ¼ or 1 ½ - Costs less to schedule on policy - Audit
- Monitoring the auto being inspected
 - If reported that an auto inspected under the insured's DOT# and not on the policy – Then what?
 - Audit/Add to policy and send agent/insured the bill



COVERAGE FOR AUTOS NOT OWNED OR SCHEDULED

- How does the insured use these non-owned autos?
 - Uses them in the insured's business?
 - Hired auto
 - Leased with or without a driver
 - DOT# on side of unit
 - BOL in insured/motor carrier's name
 - Does insured/motor carrier provide primary insurance for the non-owned unit?
 - Does owner-operator/independent contractor, the owner of the non-owned auto provide
 - Primary insurance – Is insurance carrier acceptable?
 - If so, excess rate



ITEM FOUR

Schedule Of Hired Or Borrowed Covered Auto Coverage And Premiums

Covered Autos Liability Coverage – Cost Of Hire Rating Basis For Autos Used In Your Motor Carrier Operations (Other Than Mobile Or Farm Equipment)		
Covered Autos Liability Coverage	Estimated Annual Cost Of Hire For All States	Premium
Primary Coverage	\$	\$
Excess Coverage	\$	\$
Total Hired Auto Premium		\$

For "autos" used in your motor carrier operations, cost of hire means:

1. The total dollar amount of costs you incurred for the hire of automobiles (includes "trailers" and semitrailers) and, if not included therein,
2. The total remunerations of all operators and drivers' helpers, of hired automobiles, whether hired with a driver by lessor or an "employee" of the lessee, or any other third party, and
3. The total dollar amount of any other costs (e.g., repair, maintenance, fuel, etc.) directly associated with operating the hired automobiles, whether such costs are absorbed by the "insured", paid to the lessor or owner, or paid to others.

COVERED AUTO

- Non-Owned Autos Only - 71

71	Non-Owned "Autos" Only	Only those "autos" you do not own, lease, hire, rent or borrow that are used in connection with your business. This includes "private passenger type autos" owned by your "employees," partners (if you are a partnership), members (if you are a limited liability company), or members of their households but only while used in your business or your personal affairs.
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- Employee non-owned - Sales rep/mechanic/errand runner
- The coverage would be excess over the policy on the employer's coverage
- Brokerage
 - Same legal entity
 - Separate legal entity



ALL STANDARD ISO SYMBOLS IN THE MCCF

	Motor Carrier
Any Auto	61
Owned	
All	62
PPA Only	63
All but PPA	64/65/66
Specifically Described	67
Must be listed in Item Three	
Hired Autos	68
Non-Owned Autos	71



COVERED AUTO

- 62/63/64
 - Key is owned
- For policy to respond the auto that caused the accident must be owned
 - No requirement to be listed
 - No requirement for insurance carrier to know about auto before crash
- Motor carriers will typically not have these symbols available



COVERED AUTO CONT.

- Some of the insured's customers require 62:
 - “Owned Autos Only”
 - Underwriting considerations
 - » If owned by the insured typically known by the insurance providers
 - » Owned units are inspected so they are known
 - » Proof of coverage required for tags and loss payee
 - » Concern with 62 includes PPA's



COVERED AUTO CONT.

- For good risks when underwriter is comfortable about knowing all owned units
 - Consider offering 64, Owned Commercial Autos Only, in addition to 68
 - Symbols for liability 64/68/71 are close to Any Auto 10,000 GVW or Larger



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INSURANCE CARRIER'S ADJUSTER HANDLING A CASE

- Adjuster starts determining if there is coverage
 - First consideration
 - Was the crash caused by a covered auto?
 - Auto description meets definition of the symbol
- Need to explain to insured what has to be done to have an auto the for-hire interstate motor carrier uses in their business to be a covered auto plus the cost



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