

THE NEW CENTURY COURIER INSURANCE PROGRAM

Thank you for inquiring about the New Century Courier Insurance Program – the most comprehensive, competitively priced insurance program available for messenger/courier companies today. As requested, our application is attached.

In our continuing effort to keep up with such a dynamic and evolving industry, we have recently introduced several new products including Errors & Omissions, Guard Liability, and Occupational Accident-Contingent Liability-Workers compensation. More information on these products is included in the following pages.

I recommend setting up a phone appointment with Bryan Ice, Brian Jungeberg or me to walk you through the application process. This will ensure that we get all the information we need in a timely manner, enabling you to get the best possible consideration from our underwriters.

Again, I thank you for your interest and look forward to working with you.

Sincerely,



Jeffrey A. Ice, CIC
Senior Vice President

Phone: 440-846-6663 or Toll Free: 877-862-4755
Fax: 440-260-0218

Jeff (440)625-1450

Bryan (440)625-1445

Brian (440)625-1444

jice@oswaldcompanies.com

bice@oswaldcompanies.com

bjungeberg@oswaldcompanies.com

THE NEW CENTURY COURIER INSURANCE PROGRAM COMMERCIAL INSURANCE APPLICATION

APPLICANT INFORMATION

Named Insured _____	Contact Person _____
_____	Title _____
dba _____	_____
_____	Phone _____
Mailing Address _____	Fax _____
_____	_____
_____	Cell _____
Street Address _____	E-Mail _____
_____	Federal Tax ID # _____
_____	Proposed Effective Date _____
Year Business Started _____	(If under 3 years, attach outline of prior ownership and/or management experience)

Individual Corporation Partnership Other **Are you a publicly held corporation?** YES NO

DESCRIPTION OF OPERATIONS

TYPE OF WORK	USUAL MILEAGE RADIUS
Route / Ongoing Cust. _____ %	0 – 50 miles _____ %
On Demand / Non-Regular Cust. _____ %	51 – 100 miles _____ %
Other (e.g. Overnight) _____ %	100 – 300 miles _____ %
Commercial Customers _____ %	Over 300 miles _____ %
Residential Customers _____ %	Largest City Entered _____

TYPE OF MESSENGERS

Gross Vehicle Weight	Drivers Using Their Own Vehicles						Bikers			Walkers	
	< 10,000		10,001-26,000		> 26,000		# of Bicycles	# of Mopeds	# of Motor-cycles	Number	
	PART TIME*	FULL TIME	PART TIME*	FULL TIME	PART TIME*	FULL TIME				PART TIME*	FULL TIME
Indep Owner-Ops Using Their Own Vehicles											
Employee Drivers Using Their Own Vehicles											

DO YOU HAVE CONTRACTS WITH YOUR INDEPENDENT CONTRACTORS? YES _____ NO _____

* PART TIME is 20 hours or less per week on average or drivers earning 50% or less of average full-time driver.

GROSS ANNUAL REVENUE

Last fiscal year: _____ \$ _____

Current fiscal year (estimate): _____ \$ _____

OPERATING AUTHORITY

Federal Authority: YES NO Docket Number: _____

State Authority: YES NO States: _____

CURRENT INSURANCE INFORMATION

COVERAGE	CURRENT CARRIER	PREMIUM	EXPIRATION DATE
Property			
General Liability			
Owned Auto			
Hired/Non-Owned Auto			
Cargo			
Workers' Compensation			
Umbrella			
Crime			
Other (list)			

Please provide copies of the above policies. We can often obtain additional information from policies that is helpful in putting together our quotation/proposal.

IN ADDITION TO THE COMPLETED APPLICATION, WE REQUIRE THE FOLLOWING ITEMS:

- Hard Copy "Loss Runs" for all lines of coverage being quoted for the last four (4) years. (Current year plus three previous).
- Policy declarations page for ALL Independent Contractors/employees driving their own vehicles on behalf of your company. (These are not required to quote, but will be needed within 30 days of binding Hired/Non-Owned Auto Liability.)
- Your Bill of Lading or other shipping receipt.
- Sample of Independent Contractor Agreement.
- Copy of current state(s) certificate of authority (if applicable).
- Motor Vehicle Reports for all drivers. If we obtain them at our expense, we may add an agency fee to help offset the cost.

In the following specific coverage sections of the application, many limits will already be filled in. These are automatically included within the standard coverage(s). If you require different limits, please indicate those in the 'requested' column.

The following items aren't mandatory, but we strongly suggest that you send us:

- Copies of any customer contracts and property leases
- Copies of any current policies

PRIOR CLAIM HISTORY & INFORMATION

We require confirmation of your prior claims history for the past four years (current year and three prior) in one of three ways:

Please choose one of the following, complete, and sign:

1. I will request loss runs from my current / prior insurance company and will forward to Oswald Logistics immediately upon my receipt.

2. I warrant that no fact, circumstance or situation indicating the probability of a claim or action for which coverage may be afforded by the proposed insurance is now known by me other than that which is disclosed below: (Please provide date and type of loss, a brief description of loss, and amount paid by insurance company.)

3. _____ has been in business since _____. For the period beginning _____ to the present, I warrant that we have not filed any claims against our insurance company, nor am I aware of any situations that may result in a claim being filed.

The undersigned person declares that to the best of his/her knowledge and belief, the statement (as chosen above) is true and complete.

(Signature & title)

(Date)

Ohio Law requires us to notify you of the following: "Any person who, with intent to defraud or knowing that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement, is guilty of insurance fraud."

GENERAL LIABILITY APPLICATION

COVERAGE

LIMITS

Annual General Aggregate	\$ 2,000,000
Each Occurrence	\$ 1,000,000
Products and Completed Operations Aggregate	\$ 1,000,000
Personal and Advertising Injury	\$ 1,000,000
Fire Damage Legal Liability	\$ 100,000
Medical Expense (any one person)	\$ 5,000
Deductible	\$ 1,000

RATING INFORMATION

Warehouse/Terminal Payroll (if any): \$ _____

MISCELLANEOUS UNDERWRITING INFORMATION

EXPLAIN ALL YES RESPONSES

- | | | |
|---|-----|----|
| 1. Any other past or present partnerships or joint ventures that should be named?
If YES, list and describe on a separate sheet. | YES | NO |
| 2. Any medical facilities provided? | YES | NO |
| 3. Any operations sold, acquired or discontinued in the last five years? | YES | NO |
| 4. Any watercraft owned, hired or leased? | YES | NO |
| 5. Any aircraft owned, hired or leased? | YES | NO |
| 6. Do you sponsor any athletic teams? | YES | NO |
| 7. Are you a licensed freight broker? | YES | NO |
| 8. Do you deliver household goods/appliances that require entering the home and setting up/installing? If YES, percentage of this type of work _____% | YES | NO |
| 9. Do you presently have customers that require Additional Insured status and require Primary/Non-Contributory language? If yes, please provide a list of such customers. | YES | NO |
| 10. If you are leasing your premises, does your lease contain a mutual waiver of subrogation? If you are not sure, please send a copy of the lease. | YES | NO |
| 11. Do you utilize a Professional Employment Organization/Employee Leasing Company? | YES | NO |

Explain any YES answers: _____

UMBRELLA/EXCESS LIABILITY REQUESTED? **YES** **NO** **Limit** _____
 (\$1,000,000 minimum. Higher limits are available.)

GUARD LIABILITY APPLICATION

Coverage applies to the Unintended Release of Confidential Information. Some of the exposures are:

- Unintentional release of client information from both paper and electronic files
- Loss of Data from stolen computers (additional premium required)
- Improper disposal of “work product”, expert reports, or internal communications
- Data loss due to hacking into your network by outside sources
- E-mails accidentally sent to the wrong party
- Accidental release of client information to regulatory authorities such as the IRS
- Accidental loss of “negative” client information
- Loss or breach of office personnel employment files or medical records
- Other confidential information your client has entrusted to you
- Violations of Gramm-Leach-Bliley Act
- Accidental release of MVR’s
- Accidental loss of client medical information
- Loss of client credit card information or bank account information

Limits of \$25,000 / \$50,000 will be quoted automatically unless another option is chosen below.

LIMITS PER OCCURRENCE / AGGREGATE	Check One
\$ 25,000 / \$ 50,000	<input type="checkbox"/>
\$ 50,000 / \$ 100,000	<input type="checkbox"/>
\$100,000 / \$ 200,000	<input type="checkbox"/>
\$300,000 / \$ 600,000	<input type="checkbox"/>
\$500,000 / \$1,000,000	<input type="checkbox"/>

The limits above include \$5,000 per occurrence / \$15,000 aggregate for the costs incurred to notify any person(s) or entity that their confidential information was or may have been revealed to a third party. These limits may be increased to up to 10% of the per occurrence limit for an additional premium. (The aggregate limit would be increased to three times the occurrence limit.)

Coverage for loss of data from stolen computers may be included for an additional premium. If you would like this included in your quote, please check here.

PROPERTY APPLICATION
 (Please complete separate page for each location)

Location Address: _____

COVERAGE

REQUESTED LIMITS

(80% Coinsurance Replacement Cost Values)

Building \$ _____

Contents (including Leasehold Improvements) \$ _____

Business Income / Extra Expense \$ _____

Electronic Data Processing (EDP) – Blanket Hardware, Software and Extra Expense \$ _____

Deductible (\$1,000 minimum) \$ _____

Utility Services (Coverage for an off-premises accident resulting in Direct Damage, or Lost Income and/or Extra Expense) \$ 25,000 (max)

Breakdown (Coverage for mechanical breakdown of equipment built to operate under vacuum or pressure (other than weight of contents), or used for generation/transmission/utilization of energy.) Included
 (Computers, CFC Refrigerants & Perishable Goods are limited to \$25,000)

If you have property of others stored in your warehouse, please complete the Warehouse Supplement.

UNDERWRITING INFORMATION

TYPE OF BUILDING (Office, Warehouse, etc.): _____ **YEAR BUILT:** _____

TOTAL ARE OF BUILDING: _____ **PERCENT YOU OCCUPY:** _____%

WALL CONSTRUCTION: Masonry Brick Veneer Frame Metal

ROOF CONSTRUCTION: Wood Deck Metal Deck

BASEMENT: YES NO **NUMBER OF STORIES:** _____

DESCRIBE OTHER OCCUPANTS IF MULTI-TENANT BUILDING (Professional, Manufacturing, etc.): _____

FIRE PROTECTION (Circle all that apply)

	Sprinklers	Extinguishers	Standpipe
	Central Station Alarm	Local Alarm	Other

MOTOR CARGO
SPECIAL NOTICE

Please note that this coverage is a “legal liability” contract, versus a “first party transit” coverage form.

A legal liability form is used almost exclusively to provide coverage for common and contract carriers.

While our form is broader than most, you should be aware of several things:

- Coverage may be limited to any limitation stated on a Bill of Lading or other form of delivery ticket, unless otherwise agreed to by you and your customer in writing or verbally.
- You may not be liable for certain events, such as acts of God, neglect of the shipper, inherent vice or acts of the public enemy. Therefore, coverage may not apply.
- Contracts with customers should be closely reviewed to make sure that any liability you may have accepted is actually covered by the policy.

If there are any questions at all about this coverage, please call us for clarification.

CARGO APPLICATION

COMMODITIES CARRIED	ESTIMATED PERCENT OF REVENUE	ESTIMATED MAX VALUE PER DELIVERY, IF KNOWN
Cash/Negotiables		
Non-Negotiable Financial Documents		
Jewelry/Precious Metals*		
Pharmaceuticals (Complete Cargo Electronics & Pharmaceuticals Questionnaire)		
Perishables		
Electronics (Complete Cargo Electronics & Pharmaceuticals Questionnaire)		
Fine Arts*		
Other (Misc. Small Packages/Envelopes)		

* Standard policy excludes coverage, however, if you do carry this type of property, please provide some additional detail and we will attempt to secure appropriate coverage, depending on the specific circumstances.

- **CARGO CLAIM HISTORY (PAST 5 YEARS) – Attach Loss Runs; if NONE, write “NONE”**

- **Any special coverages needed? (Explain)**

- **Do you have specific written contracts with customers? (If yes, attach copies)** _____ YES _____ NO
- **Do you use a B.O.L. or any shipping receipt specifying a “Limit of Liability”?** _____ YES _____ NO
If YES, what is the limitation? \$ _____
- **If you regularly transport packages, items or containers (Freight), weighing more than 50 pounds; we need a more detailed description, including the type of commodities, how often and how far.**
- **If you regularly transport electronics (mainly computer and/or other high-tech parts and equipment), and/or pharmaceuticals, you must complete the CARGO ELECTRONICS & PHARMACEUTICALS QUESTIONNAIRE.**
- **If you transport Bank “Proof Work” (cancelled checks, cash letters, etc.) requiring Reconstruction and/or Face Value coverage, the RECONSTRUCTION/FACE VALUE INSURANCE QUESTIONNAIRE must be completed (one for each customer).**

**** Please Note: There is an automatic minimum deductible of \$2500 (each occurrence) for losses involving Electronics, Pharmaceuticals and/or Bank “Proof Work”, unless otherwise specified.**

**FINANCIAL INSTITUTION
INSTRUCTIONS/EXPLANATIONS**

PLEASE SEND COPIES OF ALL FINANCIAL INSTITUTION CONTRACTS

1. Requesting Reconstruction (only) means the customer has not required Face Value. Please note, however, that you should insist that contract wording clearly relieve you from Face Value liability.
2. Requesting Face Value (only) means the customer has not required Reconstruction. Please note, however, that you should insist that contract wording clearly relieve you from Reconstruction liability.
3. Requesting combined Reconstruction/Face Value means that the limit will be available on a blanket basis covering either/both types of loss. Please be sure your contract doesn't require separate Reconstruction and Face Value limits. If it does, fill in the Reconstruction (only) limits and Face Value (only) limits column.
4. Your contract(s) may also specifically require that you carry Employee Dishonesty. Often, the required limit is different from what is required for Reconstruction and/or Face Value. Sometimes higher, sometimes lower. While you may have a separate Dishonesty Bond, it is recommended that you include the coverage on this policy, which is accomplished by modifying the Dishonesty exclusion. Your customer will want to be made whole no matter what the source of the "loss". We often see that contracts don't address the Dishonesty exposure; consequently, the Courier doesn't elect to purchase the Dishonesty Bond at all, or not in an amount equal to the Reconstruction/Face Value limit. In the absence of specific contractual language limiting recovery, the customer may well come after, and be entitled to, recovery of a loss caused by your driver.
5. While most banks do not microfiche (or copy checks in any way) at the branch level, some do. If you can verify that your customer does, either all or a significant percentage, this greatly reduces exposures and considerable rate credits are available. You would need to provide something in writing, on your customer's letterhead, stating that they do have duplicate records of some kind, and for what percentage of the work you will be transporting.
6. It is extremely important to let us know if you will co-mingle the work of any of your customers. This increases the exposure and the premium. For example, if Customer "A" requires a Reconstruction/Face Value limit of \$1,000,000 and Customer "B" wants a \$2,500,000 Reconstruction/Face Value limit, and the work is co-mingled, the aggregate exposure is \$3,500,000. We would need to provide this as your Per Loss/Per Conveyance limit and price it accordingly.

**COURIER CARGO
SCHEDULE OF LIMITS**

The liability of the Company for any one occurrence, partial, total or salvageable charges, expense (except defense) all combined shall in no event exceed \$_____.

**Sub/Category – Limits (all per each occurrence)
(See FINANCIAL INSTITUTIONS INSTRUCTIONS/EXPLANATIONS)**

A. Financial Institution(s) and/or Customers thereof

Name of Financial Institution	Reconstruction/ Loss of Interest Combined	Face Value/ Loss of Interest Combined	Reconstruction//Face Value Combined	Dishonesty Included (Yes/No)
1.	\$	\$	\$	YES NO
2.	\$	\$	\$	YES NO
3.	\$	\$	\$	YES NO
4.	\$	\$	\$	YES NO
5.	\$	\$	\$	YES NO
6.	\$	\$	\$	YES NO
7.	\$	\$	\$	YES NO
8.	\$	\$	\$	YES NO
9.	\$	\$	\$	YES NO
10.	\$	\$	\$	YES NO

B. Specified Customer(s)/Non-Financial Institution(s)

Customer	Limit
1.	\$
2.	\$
3.	\$
4.	\$
5.	\$
6.	\$
7.	\$
8.	\$
9.	\$
10.	\$

**COURIER CARGO
SCHEDULE OF LIMITS (cont.)**

	<u>Standard Limits</u>	<u>Requested Limits</u>
C. All Other Customers/Each Occurrence (No specific property and/or customer)	\$25,000	
D. Loss of Market, Delay, Loss of Use	\$ 5,000	
E. Negotiable Instruments	\$ 2,500	
F. In or At Any Location (within the policy territory)	\$25,000	

**COURIER CARGO
DEDUCTIBLE SCHEDULE**

All deductibles set forth below will apply separately to each occurrence, each category of property (as outlined in the Schedule of Limits, this allows for multiple deductibles on any one occurrence.)

A. Financial Institutions (and/or customers thereof)

Customer	Reconstruction & Face Value Combined (including Loss of Interest)		Reconstruction Combined (including Loss of Interest)		Face Value Combined (including Loss of Interest)	
	Theft -Unlocked Vehicle	Other	Theft -Unlocked Vehicle	Other	Theft -Unlocked Vehicle	Other
1.	\$	\$	\$	\$	\$	\$
2.	\$	\$	\$	\$	\$	\$
3.	\$	\$	\$	\$	\$	\$
4.	\$	\$	\$	\$	\$	\$
5.	\$	\$	\$	\$	\$	\$

B. Pharmaceuticals (separate deductible will apply to Theft/Hold-Up, if the stolen property contained \$15,000.00 or more of narcotics)

Customer	Theft -Unlocked Vehicle	Other
1.	\$	\$
2.	\$	\$
3.	\$	\$
4.	\$	\$
5.	\$	\$

C. Electronics

Customer	Theft -Unlocked Vehicle	Other
1.	\$	\$
2.	\$	\$
3.	\$	\$
4.	\$	\$
5.	\$	\$

**COURIER CARGO
DEDUCTIBLE SCHEDULE (cont.)**

D. Other Specified Property

Type of Property	Theft -Unlocked Vehicle	Other
1.	\$	\$
2.	\$	\$
3.	\$	\$
4.	\$	\$
5.	\$	\$

Theft -Unlocked Vehicle	Other
\$	\$

E. All Other

F. Policy/Term Aggregate Deductible (if applicable) \$ _____

CARGO ELECTRONICS & PHARMACEUTICALS QUESTIONNAIRE

ELECTRONICS

1. Specifically describe what you are transporting (i.e. PC's, computer components, industrial computerized equipment, etc.).
2. Does the described property require any special handling due to size, weight or sensitivity? If so, specifically describe such requirements.
3. Do you have written contracts with your customers limiting and/or accepting specific liability? If so, attach copies.
4. Do you use a specific driver(s) for transporting this property? Do you run criminal background checks?

PHARMACEUTICALS

1. Specifically describe products being transported (over-the-counter, prescription, narcotics – estimate the percentage of narcotics being transported on a regular basis).
2. Describe what security procedures are employed by your customer (shipper) and you, such as sealed cartons, use of detailed manifests, background checks on drivers, vehicle alarms, etc.
3. Do you have written contracts with your customers limiting and/or accepting specific liability? If so, attach copies.
4. Will any of your pharmaceutical contracts involve line hauls? YES NO
If YES: a.) How many? _____
 b.) How often? _____
 c.) From where to where? _____
 d.) Maximum value transported? \$ _____ Average Value \$ _____
 e.) Percentage of narcotics? _____%

**CARGO ELECTRONICS & PHARMACEUTICALS QUESTIONNAIRE
(cont.)**

PHARMACEUTICALS (continued)

5. For local distribution, involving smaller vehicles (vans, pick-ups, etc.)

a.) How many vehicles are used on a regular basis? _____

b.) Normal mileage values? _____

c.) Maximum value transported? \$ _____

d.) Average value transported? \$ _____

6. Are any narcotics kept in your facility overnight? YES NO

If YES, describe security measures in detail:

PLEASE NOTE THAT THESE TYPES OF SHIPMENTS ARE THE SUBJECTS OF FREQUENT CLAIMS. IN ORDER TO INSURE THEM AT ALL, WE MUST HAVE AS MUCH INFORMATION AS POSSIBLE. IF YOU DO NOT PRESENTLY HAVE WRITTEN CONTRACTS WITH YOUR CUSTOMERS LIMITING YOUR LIABILITY IN SOME WAY, YOU SHOULD. WE WOULD BE GLAD TO MAKE SUGGESTIONS IN THIS REGARD. AN AUTOMATIC DEDUCTIBLE OF \$2,500 PER OCCURRENCE WILL APPLY TO BOTH ELECTRONIC AND PHARMACEUTICAL SHIPMENTS.

RECONSTRUCTION/FACE VALUE INSURANCE QUESTIONNAIRE (cont.)

8. Are routes for this Bank dedicated? If NOT, how many banks are "co-mingled"? If YES, with what other bank(s)?	YES _____ _____	NO _____ _____
9. Are fire proof/resistant bags used?	YES	NO
10. Do you use armed couriers?	YES	NO
11. Are there halon canisters in bags?	YES	NO
12. Are drivers educated with the fact that there is nothing in the bags of intrinsic value?	YES	NO
13. Is there a bar code or other electronic tracking system in place?	YES	NO
14. Are vehicles locked when unattended?	YES	NO
15. Are bags secured by any type of locking device in vehicles?	YES	NO
16. Are bags out of sight when transported?	YES	NO
17. Do you have contractual arrangements with banks? If YES, please attach copies.	YES	NO
18. Do you have requirements that the bank must abide by?	YES	NO
19. Methods of transportation:	CARS, VANS _____%	
	AIR _____%	
(ATTACH: COURIER AIR CARGO SUPPLEMENT)		
20. Driver information:		
a. Do you require two-way communications for each driver?	YES	NO
b. Do you require MVR checks on all drivers?	YES	NO
c. Do you require uniforms for drivers?	YES	NO
d. Do you require picture ID's for drivers?	YES	NO
e. Do you require background checks on drivers?	YES	NO
21. Does the bank have a check reconstruction procedure and team in place? If YES, briefly describe:	YES	NO

RECONSTRUCTION/FACE VALUE INSURANCE QUESTIONNAIRE (cont.)

22. How and when does the bank make the determination that a destroyed/lost item(s) can't be reconstructed and must be deemed a "face value" claim?

23. Provide the bank contact name and phone number of the person responsible for the reconstruction procedure in the event of a loss:

24. What is the bank's lost-bag protocol?

25. Have you had any Bank Cargo losses in the past five (5) years? YES NO

If YES, explain the nature of the loss(es) – attach a separate page, if necessary, and provide "hard copy" insurance company loss runs:

WAREHOUSING NOTICE

If you hold customers' property less than 72 hours, your Cargo coverage will apply as the property will be considered in transit. However, if you do much of this and property tends to accumulate, particularly if its property of significant value, your cargo limit may not be adequate. Please be cognizant of this and let us know if a higher limit would be appropriate.

If you are actually doing long term storage you should have "Warehouseman's Legal Liability" (WLL) coverage.

We sometimes see coverage provided via Personal Property of Others, which is very broad coverage and the same as you have on your own property. **However**, a potential major problem is that typically there's an 80% "coinsurance" clause – meaning that the limit of insurance must represent at least 80% of the actual replacement value of the stored property. Often you have little or no idea of the actual replacement value of the customer's property (all customer property in storage) – and the values may frequently change. Let's say a fire does significant damage to the property in storage and the insurance company is able to determine the total replacement value of customer property is \$1,000,000. With an 80% coinsurance clause, you'd be required to carry an \$800,000 limit. However, if you only carry a \$400,000 limit (to keep your insurance premium down) and the amount of this loss is, \$50,000, you will be penalized. Here is how it works:

\$400,000	Amount insured	

\$800,000	Amount that should have been insured	= 50% x \$50,000 Loss = \$25,000 Paid Claim (less any deductible)

If the amount of property stored varies significantly month to month, you could make use of a "monthly reporting" form. This allows you to pay premium based on the average monthly values and NOT be in jeopardy of suffering a coinsurance penalty.

If the value remains fairly constant, pick a limit on the "high end" and you should be fine.

Again, the appropriate coverage is "Warehouseman's Legal Liability". This is how "real" warehousemen protect their customer's property (and their own liability).

In order to implement this coverage, you must utilize a "warehouse receipt" (or some written agreement between you and your customer). A sample of the American Warehouseman's Association Warehouse Receipt is included herein, as well as several examples for establishing valuation or some form of written agreement. Also included is a short agreement we've developed, titled, "Warehouse Depositors Agreement." Today, many couriers are working with one or more 3rd Party Logistics (3PL) companies. While a great opportunity, there are some serious risk management issues. The lack of written agreements between the courier and the 3PL is alarming. When there is some form of agreement, the limit and scope of the respective liabilities are either ill-defined or are heavily weighted in favor of the 3PL. Clearly outlining the scope and limits of liability, and keeping it fair to both the 3PL and the courier, is pretty simple. Once that has been accomplished, implementing the proper insurance is also simple. We can help by reviewing agreements and talking to the 3PL, either with you or on your behalf.

If you are doing any warehousing at all, or contemplating it, please complete the "Warehousing Questionnaire". Then we can work with you to determine the proper coverage for your operation.

WAREHOUSE DEPOSITOR AGREEMENT

Limitations of Liability

It is understood and agreed that _____ (warehouseman) shall not be liable for any loss or injury to goods stored for _____ (depositor), however caused, unless such loss or injury resulted from the failure by _____ (warehouseman) to exercise such care in regard to them as a reasonable careful man would exercise under like circumstances. _____ (warehouseman) is not liable for damage which could not have been avoided by the exercise of such care.

In the event _____ (warehouseman) is legally liable for any loss or injury, damages are limited to the actual cost to replace damaged property or \$_____, whichever is less.

By: _____
Depositor

By: _____
Warehouseman

Date: _____

Date: _____

WAREHOUSING QUESTIONNAIRE

THIS MUST BE COMPLETED IF YOU HAVE ANY KIND OF WAREHOUSING OPERATION

1. Address of Warehouse: _____

2. Total Area (in cubic capacity or # of storage lots) of premises available for storage: _____

3. Total Area of Building _____ Area you occupy _____
If multi tenant, describe other occupancies: _____

4. Building Description: # Stories _____ Basement? Y/N Exterior Wall Construction _____
Roof Type _____ Floor Type _____

5. Premises Protection: (circle all that apply)

Sprinklers

Central Station Fire Alarm

Central Station Burglary Alarm

6. Estimated total values in storage during the previous year (20__):

Maximum at any one time: \$ _____ Average at any one time: \$ _____

7. Do you issue a "Warehouse Receipt"? YES NO

If YES, attach a copy.

If NOT, do you have any form of written agreement with customers specifying who is responsible and for how much? YES NO

If YES, attach a copy or describe in detail how you limit your liability.

WAREHOUSING QUESTIONNAIRE (cont.)

9. Gross Receipts from warehousing only:

Last complete fiscal year (20__) \$ _____ Estimated for current year (20__) \$ _____

10. REQUESTED LIMIT \$ _____ REQUESTED DEDUCTIBLE \$ _____

COMMODITIES	MAXIMUM \$ VALUE	AVERAGE \$ VALUE
Food/Perishables	\$	\$
Furniture	\$	\$
Electronics	\$	\$
a. TV, Radio/Stereo, etc.	\$	\$
b. Computer Equipment/Parts	\$	\$
Office Products (other than computer)	\$	\$
Appliances (other than TV/Radio, etc.)	\$	\$
Chemicals of any kind – Describe	\$	\$
Liquor, Wine, Spirits	\$	\$
Auto Parts	\$	\$
Other (Describe)	\$	\$

SAMPLE

STANDARD CONTRACT TERMS AND CONDITIONS FOR MERCHANDISE WAREHOUSEMAN

(Approved and Promulgated by the American Warehouseman's Association, October 1968)

ACCEPTANCE – Sec. 1

- (a) This contract and rate quotation including accessorial charges endorsed on or attached hereto must be accepted within 30 days from the proposal date by signature of depositor on the reverse side of the contract. In the absence of written acceptance, the act of tendering goods described herein for storage or other services by warehouseman within 30 days from the proposal date shall constitute such acceptance by depositor.
- (b) In the event that goods tendered for storage or other services do not conform to the description contained herein, or conforming goods are tendered after 30 days from the proposal date without prior written acceptance by depositor as provided in paragraph (a) of this section, warehouseman may refuse to accept such goods. If warehouseman accepts such goods, depositor agrees to rates and charges as may be assigned and invoiced by warehouseman and to all terms of this contract.
- (c) This contract may be cancelled by either party upon 30 days written notice and is cancelled if no storage or other services are performed under this contract for a period of 180 days.

SHIPPING – Sec. 2

Depositor agrees not to ship goods to warehouseman as the named consignee. If, in violation of this agreement, goods are shipped to warehouseman as named consignee, depositor agrees to notify carrier in writing prior to such shipment, with copy of such notice to the warehouseman, that warehouseman named as consignee is a warehouseman and has no beneficial title or interest in such property and depositor further agrees to indemnify and hold harmless warehouseman from any and all claims for unpaid transportation charges, including undercharges, demurrage, detention or charges of any nature, in connection with goods so shipped. Depositor further agrees that, if it fails to notify carrier as required by the next preceding sentence, warehouseman shall have the right to refuse such goods and shall not be liable or responsible for any loss, injury or damage of any nature to, or related to, such goods. Depositor agrees that all promises contained in this section will be binding on depositor's heirs, successors and assigns.

TENDER FOR STORAGE – Sec. 3

All goods for storage shall be delivered at the warehouse property marked and packaged for handling. The depositor shall furnish at or prior to such delivery, a manifest showing marks, brands, or sizes to be kept and accounted for separately, and the class of storage and other services desired.

STORAGE PERIOD AND CHARGES – Sec. 4

- (a) All charges for storage are per package or other agreed unit per month.
- (b) Storage charges become applicable upon the date that warehouseman accepts care, custody and control of the goods, regardless of unloading date or date of issue of warehouse receipt.
- (c) Except as provided in paragraph (d) of this section, a full month's storage charge will apply on all goods received between the first and the 15th, inclusive of a calendar month; one-half month's storage charge will apply on all goods received between the 16th and the last day, inclusive, of a calendar month, and a full month's storage charge will apply to all goods in storage on the first day of the next and succeeding calendar of months. All storage charges are due and payable on the first day of storage for the initial month and thereafter on the first day of the calendar month.
- (d) When mutually agreed by the warehouseman and the depositor, a storage month shall extend from a date in one calendar month to, but not including, the same date of the next and all succeeding months. All storage charges are due and payable on the first day of the storage month

THE NEW CENTURY COURIER INSURANCE PROGRAM

TRANSFER, TERMINATION OF STORAGE, REMOVAL OF GOODS – Sec. 5

- (a) Instructions to transfer goods on the books of the warehouseman are not effective until delivered to and accepted by warehouseman, all charges up to the time transfer is made are chargeable to the depositor of record. If a transfer involves rehandling the goods, such will be subject to a charge. When goods in storage are transferred from one party to another through issuance of a new warehouse receipt, a new storage date is established on the date of transfer.
- (b) The warehouseman reserves the right to move, at his expense, 14 days after notice is sent by certified or registered mail to the depositor of record or to the last known holder of the negotiable warehouse receipt, any goods in storage from the warehouse in which they may be stored to any other of his warehouses, but if such depositor or holder takes delivery of his goods in lieu of transfer, no storage charge shall be made for the current storage month. The warehouseman may, without notice, move goods within the warehouse in which they are stored.
- (c) The warehouseman may, upon written notice to the depositor of record or any other person known by the warehouseman to claim an interest in the goods, require the removal of any goods by the end of the next succeeding storage month. Such notice shall be given to the last known place of business or abode of the person to be notified. If goods are not removed before the end of the next succeeding storage month, the warehouseman may sell them in accordance with applicable law.
- (d) If warehouseman in good faith believes that the goods are about to deteriorate or decline in value to less than the amount of warehouseman's lien before the end of the next succeeding storage month, the warehouseman may specify in the notification any reasonable shorter time for removal of the goods and in case the goods are not removed, may sell them at public sale held one week after a single advertisement or posting as provided by law.
- (e) If as a result of a quality or condition of the goods of which the warehouseman had no notice at the time of deposit the goods are a hazard to other property or to the warehouse or to persons, the warehouseman may sell the goods at public or private sale without advertisement on reasonable notification to all persons known to claim an interest in the goods. If the warehouseman after a reasonable effort is unable to sell the goods he may dispose of them in any lawful manner and shall incur no liability by reason of such disposition. Pending such disposition, sale or return of the goods, the warehouseman may remove the goods from the warehouse and shall incur no liability by reason of such removal.

HANDLING – Sec. 6

- (a) The handling charge covers the ordinary labor involved in receiving goods at warehouse door, placing goods in storage, and returning goods to warehouse door.
- (b) Unless otherwise agreed, labor for unloading and loading goods will be subject to a charge. Additional expenses incurred by the warehouseman in receiving and handling damaged goods, and additional expense in unloading from or loading into cars or other vehicles not at warehouse door will be charged to the depositor.
- (c) Labor and materials used in loading rail cars or other vehicles are chargeable to the depositor.
- (d) When goods are ordered out in quantities less than in which received, the warehouseman may make an additional charge for each order or each item of an order.
- (e) The warehouseman shall not be liable for demurrage, delays in unloading inbound cards, or delays in obtaining and loading cards for outbound shipment unless warehouseman has failed to exercise reasonable care.

DELIVERY REQUIREMENTS – Sec. 7

- (a) No goods shall be delivered or transferred except upon receipt by the warehouseman of complete instructions properly signed by the depositor. However, when no negotiable receipt of outstanding, goods may be delivered upon instructions by telephone in accordance with a prior written authorization, but the warehouseman shall not be responsible for loss or error occasioned thereby.

THE NEW CENTURY COURIER INSURANCE PROGRAM

- (b) When a negotiable receipt has been issued, no goods covered by that receipt shall be delivered, or transferred on the books of the warehouseman, unless the receipt, properly endorsed, is surrendered for cancellation, or for endorsement of partial delivery thereon. If a negotiable receipt is lost or destroyed, delivery of goods may be made only upon order or a court of competent jurisdiction and the posting of security approved by the court as provided by law.
- (c) When goods are ordered out a reasonable time shall be given the warehouseman to carry out instructions, and if he is unable because of acts of god, war, public enemies, seizure under legal process, strikes, lockouts, riots and civil commotions, or any reason beyond the warehouseman's control, or because of loss or destruction of goods for which warehouseman is not liable, or because of any other excuse provided by law, the warehousemen shall not be liable for failure to carry out such instructions and goods remaining in storage will continue to be subject to regular storage charges.

EXTRA SERVICES (SPECIAL SERVICES) – Sec. 8

- (a) Warehouse labor required for services other than ordinary handling and storage will be charged to the depositor.
- (b) Special services requested by depositor including but not limited to compiling of special stock statements; reporting marked weights, serial numbers or other data from packages; physical check of goods; and handling transit billing will be subject to a charge.
- (c) Dunnage, bracing, packing materials or other special supplies, may be provided for the depositor at a charge in addition to the warehouseman's cost.
- (d) By prior arrangement, goods may be received or delivered during other than usual business hours, subject to a charge.
- (e) Communications expense including postage, teletype, telegram, or telephone will be charged to the depositor if such concern more than normal inventory reporting or if, at the request of the depositor, communications are made by other than regular United States Mail.

BONDED STORAGE – Sec. 9

- (a) A charge in addition to regular rates will be made for merchandise inbound.
- (b) Where a warehouse receipt covers goods in U.S. Custom's bond, such receipt shall be void upon the termination of the storage period fixed by law.

MINIMUM CHARGES – Sec. 10

- (a) A minimum handling charge per lot and a minimum storage charge per lot per month will be made. When a warehouse receipt covers more than one lot or when a lot is in assortment, a minimum charge per mark, brand, or variety will be made.
- (b) A minimum monthly charge to one account for storage and/or handling will be made. This charge will apply also to each account when one customer has several accounts, each requiring, separate records and billing.

LIABILITY AND LIMITATION OF DAMAGES – Sec. 11

- (A) THE WAREHOUSEMAN SHALL NOT BE LIABLE FOR ANY LOSS OR INJURY TO GOODS STORED HOWEVER CAUSED UNLESS SUCH LOSS OR INJURY RESULTED FROM THE FAILURE BY THE WAREHOUSEMAN TO EXERCISE SUCH CARE IN REGARD TO THEM AS A REASONABLY CAREFUL MAN WOULD EXERCISE UNDER LIKE CIRCUMSTANCES AND WAREHOUSEMAN IS NOT LIABLE FOR DAMAGES WHICH COULD NOT HAVE BEEN AVOIDED BY THE EXERCISE OF SUCH CARE.
- (B) GOODS ARE NOT INSURED BY THE WAREHOUSEMAN AGAINST LOSS OR INJURY HOWEVER CAUSED.
- (C) THE DEPOSITOR DECLARES THAT DAMAGES ARE LIMITED TO \$_____, PROVIDED, HOWEVER, THAT SUCH LIABILITY MAY AT THE TIME OF ACCEPTANCE OF THIS CONTRACT AS PROVIDED IN SECTION 1 BE INCREASED ON PART OR ALL OF THE GOODS HEREUNDER IN WHICH EVENT A MONTHLY CHARGE OF _____ WILL BE MADE IN ADDITION TO THE REGULAR MONTHLY STORAGE CHARGE.

THE NEW CENTURY COURIER INSURANCE PROGRAM

NOTICE OF CLAIM AND FILING OF SUIT – Sec. 12

- (a) Claims by the depositor and all other persons must be presented in writing to the warehouseman within a reasonable time, and in no event longer than either 60 days after delivery of the goods by the warehouseman or 60 days after depositor of record or last known holder of a negotiable warehouse receipt is notified by the warehouseman that loss or injury to part or all of the goods has occurred, whichever time is shorter.
- (b) No action may be maintained by the depositor or others against the warehouseman for loss or injury to the goods stored unless timely written claim has been given as provided in paragraph (a) of this section and unless such action is commenced either within nine months after date of delivery to warehouseman or within nine months after depositor of record of the last known holder of a negotiable warehouse receipt is notified that loss or injury to part or all of the goods has occurred, whichever time is shorter.
- (c) When goods have not been delivered, notice may be given of known loss or injury to the goods by mailing of a registered or certified letter to the depositor of record or the last known holder of a negotiable warehouse receipt. Time limitations for presentation of claim in writing and maintaining of action after notice begins on the date of mailing of such notice by warehouseman.

The following are examples of provisions dealing with limitations of liability in warehouse storage agreements.

- (1) “The depositor declares that damages are limited to 150 times the base rate, provided, however, that such liability may at the time of acceptance of this contract as provided in section 1 be increased on part or all of the goods hereunder in which event a monthly charge of \$_____ will be made in addition to the regular monthly storage charge.” Source: AWA-approved provision that complies with the statute and has been enforced by courts throughout the country.
- (2) “In the event of a loss, damage or destruction to stored goods for which a warehouseman is legally liable, depositor declares that warehouseman’s liability for damages shall be limited to the lesser of the following: a) the actual cost to depositor of replacing or reproducing the damaged goods, (b) 100 times the monthly storage charge applicable to such lost, damaged or destroyed goods, c) 50 cents per pound. Provided, however, that within a reasonable time after receipt of this warehouse receipt, depositor may, upon written request increase warehouseman’s liability on part or all of the goods stored under this warehouse receipt, in which case an increased charge will be made based upon such increased valuation.” Source: prepared by Horvath Lieber & Quilici.
- (3) “Warehouseman shall reimburse depositor for the replacement cost of all material or product that is lost, damaged, or destroyed during warehouseman’s handling or storage of such material or product in the course of warehouse operations. If such loss, damage or destruction occurs due to the negligence or willful misconduct of warehouseman, its agents or assigns, then warehouseman will be fully liable for all loss, damage or destruction. If such loss, damage or destruction occurs without the negligence or willful misconduct by a warehouseman, its agents or assigns, then warehouseman will receive a loss damage allowance.” Source: customer-prepared contract.

CRIME APPLICATION

COVERAGE	REQUESTED LIMITS	DEDUCTIBLE (\$1,000 minimum)
Employee Dishonesty	\$ _____	\$ _____
Forgery or Alteration (of your checks)	\$ _____	\$ _____
Funds Transfer Fraud	\$ <u>25,000 (max)</u>	\$ _____
Computer Fraud	\$ <u>25,000 (max)</u>	\$ _____
Money and Securities (On/Off Premises)	\$ _____	\$ _____

(Covers money and securities of the insured)

EMPLOYEE/INDEPENDENT CONTRACTOR CENSUS

(Indicate number of each)

	Full Time	Part Time		
Employee Drivers	_____	_____		
Independent Contractor Drivers	_____	_____		
Clerical/Administrative Employees (Exclude Owners/Officers)	_____	_____		
Other	_____	_____		
TOTAL	_____	+	_____	= _____

MISCELLANEOUS UNDERWRITING INFORMATION
RELATIVE TO INTERNAL EMPLOYEE DISHONESTY

1. Is a countersignature required on all checks? YES NO
2. If NO, what check amount requires countersignature? \$ _____
3. Can the person who reconciles bank statements, also deposit and/or withdraw money? YES NO
4. Are financial audits performed?
How often? YES NO

5. To your knowledge, do you transport money, negotiable securities, jewelry or precious metals? YES NO

If YES, explain: _____

BUSINESS NON-OWNED/HIRED AUTO APPLICATION

AUTOMOBILE COVERAGE OPTIONS (Circle Desired Option):

- #1 DRIVERS CARRY LIMITS OF AT LEAST \$100,000/\$100,000/\$25,000 or \$100,000 csl. We must receive copies of Declarations Pages for all drivers evidencing limits within 30 days of binding coverage.
- #2 DRIVERS CARRY STATE MINIMUM LIMITS. We must receive copies of Declarations Pages for all drivers evidencing limits within 30 days of binding coverage.

LIABILITY

COVERAGE

LIMITS REQUESTED

Bodily Injury/Property Damage Liability	\$ 1,000,000
* Personal Injury Protection (PIP)	\$ NA
* Additional Personal Injury Protection (PIP)	\$ NA
* Medical Payments	\$ NA
* Uninsured/Underinsured Motorists (UM/UIM)	\$ NA

MISCELLANEOUS UNDERWRITING INFORMATION

EXPLAIN ANY YES RESPONSES

I. VEHICLES (Company Owned Only)

Number of company-owned or long-term leased vehicle: _____ Non-Delivery _____ Delivery

Insured by what carrier: _____

Is Uninsured / Underinsured Motorists coverage included? YES NO

BUSINESS NON-OWNED/HIRED AUTO APPLICATION (CONT.)

II. DRIVERS

1. Do drivers wear a company uniform? YES NO

2. If drivers are using their own vehicles, how do you monitor the existence of their insurance coverage: _____

3. What limits are drivers required to carry when using their own _____ 50/100/25
 _____ 100 CSL
 (500,000 CSL IS REQUIRED FOR VEHICLES 10,001 to 26,000 GVW) _____ 100/300/50
 _____ 300CSL
 (1,000,000 CSL IS REQUIRED FOR VEHICLES OVER 26,000 GVW) _____ State Minimum
 _____ Other

4. Any Drivers under 21? (not eligible for insurance) YES NO

5. Any Drivers over 70? (not eligible for insurance without medical confirmation) YES NO

6. What is the approximate annual driver turnover? _____ %

7. Do you carry any cargo that is considered Hazardous Material and is required to be placarded? YES NO

If YES, we will send you a Haz-Mat Questionnaire to be completed.

8. Are you leasing drivers to customers, who drive the customer's vehicles? YES NO

If YES, is there a written agreement in place clearly indicating that the customer's auto insurance is considered primary and/or holding you harmless for any accident involving your driver and the customer's vehicle? YES NO

BUSINESS NON-OWNED/HIRED AUTO APPLICATION (CONT.)

III. DRIVER SELECTION

1. Written Application Required?	YES	NO
2. Interview by Management?	YES	NO
3. Road Test Required?	YES	NO
4. Written Test Required?	YES	NO
5. References Checked?	YES	NO
6. Police Record Checked?	YES	NO
7. Require 2 or more years driving experience in U.S.?	YES	NO
8. MVR's ordered on all prospective drivers?	YES	NO
9. Are above items completed prior to driver being allowed to drive?	YES	NO

IV. SAFETY & COMPLIANCE

We recognize that for many companies, the Owner(s) serve as Safety Coordinator, Trainer, Accident Review, etc.

Circle OWNER if this applies to your company

1. Safety Coordinator Appointed?	YES	NO	OWNER
2. Driver Training Provided?	YES	NO	OWNER
3. Are driver accidents reported and reviewed by management?	YES	NO	
4. Do you have regular driver meetings?	YES	NO	

Even if these are informal/sporadic, briefly describe what is done to promote safety:

BUSINESS NON-OWNED/HIRED AUTO APPLICATION (CONT.)

V. MISC.

1. Hours of Operation: _____

2. Employees or Passengers transported? YES NO

3. Name the type of dispatch system used: _____

4. For Rush or On-Demand business:

a. Are conditions such as weather, time of day, distance, road construction, etc. taken into account when dispatching jobs with time constraints? YES NO

b. Do you give time guarantees? YES NO

If YES, what are the consequences of not meeting deadlines? _____

c. Are penalties imposed on drivers for not meeting deadlines? YES NO

If YES, describe: _____

5. Do you do any pick-ups or deliveries to airports? YES NO

a. If YES, do you have a ramp pass? YES NO

b. Do you drive onto the tarmac? YES NO

If YES, provide details: _____

c. If YES, at what airports: _____

BUSINESS NON-OWNED/HIRED AUTO APPLICATION (CONT.)

6. Are trailers utilized by any of your Independent Contractors or employees driving their own vehicles? YES NO

c. If YES, provide details on how many, what type, where, how often type of cargo, etc.:

7. Please list your five largest types of contracts/customers* and the commodities being delivered:

<u>Type of Contract / Customer *</u>	<u>Commodities Hauled</u>
1. _____	1. _____
2. _____	2. _____
3. _____	3. _____
4. _____	4. _____
5. _____	5. _____

SHORT-TERM RENTAL VEHICLE SUPPLEMENT & AGREEMENT

Physical damage coverage (comprehensive and collision) may be available if we insure company-owned vehicles, or you may purchase this coverage from the rental agency. The intent of the liability coverage under the Non-Owned/Hired Auto program is to be excess, not primary. Thus, you will be required to purchase coverage offered by the rental company. Most rental companies do offer coverage. The advantages can be significant:

1. Claims are handled by the rental company or their third party administrator – saving you time and work.
2. Towing, repairs and replacement vehicles are typically taken care of by the rental company, keeping your inconvenience to a minimum.
3. Claims won't affect your policy in most cases, unless the claim exceeds the purchased coverage.
4. Rates offered by the rental company may be comparable to or less than standard commercial rates.

The liability coverage offered by rental companies may vary in terms of deductible and cost. However, in terms of limits, our understanding is that most companies only offer a \$1,000,000 limit. However, be sure to review the liability and physical damage coverages offered and be aware of any limitations and exclusions that may apply, such as damage to the box on a box truck, damage caused by driving under a low overhang, etc.

For this excess liability coverage to apply, the following criteria must be met:

1. A rented vehicle is defined as an auto or truck with a GVW of 45,000 pounds or less;
2. The vehicle is rented under a written rental agreement;
3. The rental charge is based on a daily, weekly or monthly basis; and
4. Liability coverage is purchased from the rental company.

There will be a small premium charge made for this excess coverage, based on the exposure estimated for the next 12 months. The exposure will be audited at the end of the policy term using the rate indicated in your policy.

Type of Vehicle	# Vehicles	# Days	Cost
Private Passenger (incl. Pickups & Minivans)			\$
Light Truck (under 10,000 lbs. GVW)			\$
Medium Truck (10,001 to 26,000 lbs. GVW)			\$
Heavy Truck (26,001 lbs. GVW and over)			\$

It is important that you thoroughly understand our position regarding rental vehicles and comply with the terms as outlined. The signature of a principal or someone with the proper authority is required below to acknowledge your understanding and acceptance.

Authorized Signature _____ **Date** _____

Printed Name _____ **Title** _____

NON-OWNED/HIRED AUTO PROGRAM AGREEMENT

This proactive program requires mutual participation between Agent/Broker and Client. In order for us to obtain the best coverage and pricing available, we need your commitment to control losses. The following are mandatory requirements of the program:

1. You must have wording in your IC/Employee Agreement mandating that the IC/Employee carry their own auto liability insurance. The Agreement must also contain a "Hold Harmless" clause in favor of the company.
 - a. It is highly recommended that all drivers carry at least \$100/100/25 or \$100,000-combined single limit on a Commercial Auto Policy. At the very least your driver contract should state something to the effect that "you should consult with an insurance professional to determine the amount and type of insurance best suited for your needs".
 - b. It is required that all drivers of vehicles with a Gross Vehicle Weight of 10,001 to 26,000 carry at least \$500,000 combined single limit Commercial Auto insurance. For vehicles 26,001 GVW and over, a \$1,000,000 combined single limit is required.

If your present agreement does not contain the required language, you can use the Sample Driver Agreement Addendum that follows.
2. You must obtain a Motor Vehicle Report (MVR) on each driver. Information on three prominent services is enclosed, or drivers may provide current MVR's to you.
 - a. You must obtain an MVR on every driver prior to him/her beginning work.
 - b. Our "point system" is enclosed. You must strictly enforce the system. Any drivers with 12 points or more will be put on formal, written probation, with MVR's being run semi-annually.
 - c. Upon request, you may be required to submit a current list of drivers during the policy term. We will then select a percentage of them to obtain a current MVR and declaration page. This will be done once during the policy term at random.
3. You must have a system in place to track drivers' primary insurance. Declarations pages are required. It is recommended that you collect declarations pages every six months.
4. You **MUST NOT** specifically make a charge to the driver for "auto insurance" as this is not protecting the driver – it is protection for your company for auto incidents involving drivers using their own cars that may ultimately involve your company.
5. It is highly recommended that you do not use company signage on any IC or employee vehicles that are less than 10,000 GVW (such as cars, pickups or minivans).

These requirements must be maintained throughout your involvement in our program. Non-compliance with any requirement will result in higher rates or termination from the program.

_____, _____ **representing** _____
Name Title Courier Company

agree to the program requirements as stated above.

Authorized Signature: _____ **Date:** _____

SAMPLE

DRIVER AGREEMENT ADDENDUM

THIS AGREEMENT, made and entered into this _____ day of, ____20____ by and between (company name), a (state) corporation (herein referred to as (“company”)) and _____ an (employee or Independent Contractor) (herein referred to as “Courier driver”).

1. That Courier driver, in form satisfactory to Company, will have his/her own transportation and insurance, in the amount of \$_____ (at least \$100/100/25 recommended).
2. Provide proof of insurance showing Insurance company, policy number, and expiration date, to company prior to Courier driver’s start date.
3. Provide copy of Insurance Declaration page showing policy limits to company within 30 days of Courier driver’s start date.
4. Inform company of any changes to policy, and provide company proof of insurance renewal prior to policy expiration date.
5. That Courier driver will indemnify and hold harmless Company and any customers of Company, from and against any and all liability, by reason of accident, injuries, or negligence of any kind that may result from the act of Courier driver while making deliveries for or on behalf of Company.

IN WITNESS WHEREOF, the parties hereto have placed their hands and seals the day and year first above written.

ATTEST:

_____ Date:
Witness

COURIER DRIVER

By _____ Date:

ATTEST:

_____ Date:
Witness

COMPANY

By _____ Date:
Personnel Manager

NOTE: This is simply an example of how you can bring your IC Agreement in compliance with our program requirements, if we find your agreement lacking insurance and hold harmless clauses.

DRIVER MOTOR VEHICLE REPORTS

An MVR is a record of a driver's past performance and is often a forecast of his/her future performance. Violations and accidents, both on and off the job are to be considered (unless prohibited by state law), as they are a reflection of a driver's complete record and attitude of responsibility while operating a motor vehicle.

A current MVR will be required on all drivers. We will obtain them prior to policy inception, and again within 60-90 days prior to the policy anniversary. As a transportation company, you are also required to run your own MVR's and make sure a current MVR is in every driver's file. We, as an insurance agent/broker, CANNOT provide MVR's to you, per the U.S. Fair Credit Reporting Act (FCRA).

The FCRA was enacted to promote accuracy, fairness and privacy of information contained in reports generated by consumer reporting agencies. The FCRA imposes requirements on the collection and dissemination of information contained in these reports. These requirements apply not only to consumer reporting agencies, but also to users of consumer reports, such as insurance agents and employers. MVR's are recognized by the FCRA as consumer reports.

A permissible purpose is required by all users in order to obtain a consumer report. The type of permissible purpose is a significant factor in determining the specific obligations imposed on the user. Notably, the FCRA distinguishes consumer reports obtained for insurance related purposes from those obtained for employment related purposes, with the latter being subject to more stringent requirements.

In accordance with the FCRA, the insurance industry may obtain limited consumer report information for purposes solely related to underwriting and pricing of insurance. The insurance industry will continue to obtain MVR's on your driver for the sole purpose of determining their insurability under our commercial auto insurance program.

Due to restrictions imposed by the FCRA, the insurance industry CANNOT provide a copy of the MVR to you or even discuss the specific contents of it with you. Any discussion with you on MVR's must be limited to whether a driver's record meets the underwriting standards of our commercial auto insurance program – basically, does he/she "make the cut."

You, as the Insured, have a responsibility of developing your own driver requirements (employees and/or Independent Contractors). Understand, however, that your standards must be at least as stringent as the insurance carrier(s) – otherwise, you may not be insurable. Of course, regardless of what insurance carriers may impose as standards, if you don't impose reasonable standards, and regularly (at least annually) update MVR's, insured or not, you run the substantial risk of not being very defensible, if one of your drivers is involved in an accident, and may, in fact, put yourself in the position of being assessed significant "punitive damages" (often not covered by insurance at all).

The requirements used by the underwriters of our commercial auto program are simply a maximum of 15 points (as outlined below) over a three (3) year period.

SPEEDING	5 points
MOVING VIOLATIONS OTHER THAN SPEEDING (but not falling in the "major" violation category below)	4 points
AT-FAULT ACCIDENTS (Any accident where the driver has been sighted or where points have been assigned will be considered at-fault. All others are not-at-fault.)	6 points
MAJOR VIOLATIONS (see next page)	UNACCEPTABLE

DRIVER MOTOR VEHICLE REPORTS (cont.)

Some subjective consideration will be applied as well. For example, if there is an excessive amount of “not at fault” accidents, the driver may not be approved.

MAJOR VIOLATIONS include, but are not limited to:

1. Driving while intoxicated or under the influence of liquor or drugs.
2. Disregarding or evading a police officer.
3. Driving with a suspended license (due to moving violations/accidents, as opposed to “administrative” issues).
4. Driving on the wrong side of the road.
5. Failure to comply with “Implied Consent” law.
6. Felony involving a motor vehicle.
7. Hit and run or leaving the scene of an accident.
8. Vehicular assault (or homicide).
9. Manslaughter with or without gross negligence.
10. Possession of a controlled substance.
11. Reckless driving, drag racing or speed contest

Again, any information we discuss with you, based on an MVR, is solely for the purpose of determining insurability. **UNDER NO CIRCUMSTANCES SHOULD THAT INFORMATION BE USED FOR EMPLOYMENT PURPOSES.** To the extent that employment is in any way contingent upon an MVR, you are encouraged to comply with the specific requirements imposed by the FCRA – relative to employment purposes. You may wish to consult with an attorney experienced in “Employment Practices” law in order to develop a compliance policy.

You can obtain a complete copy of the FCRA off the Federal Trade Commission’s website – <http://www.ftc.gov>.

In terms of setting up to run your own MVR’s, following are several service providers (we use Insurance Information Exchange).

Insurance Information Exchange
3001 Earl Rudder Freeway, S
College Station, TX 77845
Phone 800-299-7099
Fax 409-696-2497
www.iix.com

DAC Services
4110 S. 100th E Ave.
Tulsa, OK 74146
Phone 800-331-9175
Fax 918-664-9074
www.dacservices.com

Agency Records, Inc./Rapid
Information Services
Box 310175
Newington, CT 06131-0175
Phone 800-777-6655
Fax 860-666-4247
www.agencyrecords.com

WORKERS COMPENSATION ALERT
Independent Contractor Operations

Most of you carry Workers Compensation on your employees, depending on the minimum number of employees required to be covered by the Workers Compensation laws in your state. These employees usually consist of administrative and clerical people, maybe dispatchers and sales people. However, when it comes to your IC drivers, many of you rely solely on your written agreement with the IC's to let you off the hook if an IC is injured and attempts to make a claim.

Assuming you do have a Workers Compensation policy, the carrier will have to step up and defend and pay a claim, if an IC successfully sues and is deemed to be an employee. Unless you have a written agreement with the carrier that they will not audit IC driver payroll for premium purposes, you could be in for a rude awakening! The chances of such an agreement are slim. The carrier can legally go back demanding drivers' premium for three years! And they will not limit the payroll to the one driver who was injured.

If you never have a driver try to make a claim, you may conceivably avoid a devastating audit forever. However, keep in mind there does not necessarily have to be a claim to trigger an audit. An insurance carrier has the contractual right to physically audit your payroll.

Over the years, we have heard many of you state that IC's are not required to carry Workers Compensation in your state. True enough, in most jurisdictions. However, if they are injured badly enough and decide they are now an employee (and with an attorney's help, this is not that difficult), they fall under the Workers Compensation law!

Don't make the mistake of ignoring this potentially devastating situation. There are reasonably priced solutions.

The point is, don't just ignore the issue; take some definitive action!

Talk to us -- that's why we are here!

WORKERS' COMPENSATION APPLICATION

STATE	CLASS CODE	DUTIES/JOB DESCRIPTION	NUMBER OF EMPLOYEES	ESTIMATED PAYROLL
				\$
				\$
				\$
				\$
				\$
				\$
				\$

Current Experience Modification _____

Federal Employer Identification Number _____

Are partners, Owners, Officers to be Included? _____ Excluded? _____

List each partner/owner/officer, including birth date, duties and payroll:

1. _____
2. _____
3. _____
4. _____
5. _____

Current Workers Compensation Policy Information (Please complete even if we are not quoting Workers Comp):

Insurance Carrier: _____

Policy Number: _____

Policy Period: _____

Employer's Liability Limits: _____

WORKERS' COMPENSATION APPLICATION (CONT.)

(Please provide all required details for "Yes" responses)

	Yes	No
(1) Does applicant own, operate or lease aircraft/watercraft?		
(2) Do/have past, present or discontinued operations involve(d) storing, treating, discharging, applying, disposing, or transporting of hazardous material? (e.g. landfills, wastes, fuel tanks, etc.)		
(3) Any work performed underground or above 15 feet?		
(4) Any work performed on barges, vessels, docks, bridge over water?		
(5) Is Applicant engaged in any other type of business?		
(6) Are subcontractors used? (If yes, give % of work subcontracted)		
(7) Any work sublet without certificates of insurance?		
(8) Is a written safety program in operation?		
(9) Any group transportation provided?		
(10) Any employees under 16 or over 60 years of age?		
(11) Any seasonal employees?		
(12) Is there any volunteer or donated labor?		
(13) Any employees with physical handicaps?		
(14) Do employees travel out of state?		
(15) Are athletic teams sponsored?		
(16) Are physicals required after offers of employment are made?		
(17) Any other insurance with this insurer?		
(18) Any prior coverage declined/canceled/non-renewed (last 3 years)? (N/A in Missouri)		
(19) Are employee health plans provided?		
(20) Is there a labor interchange with any other business/subsidiary?		
(21) Do you lease employees to or from other employers?		
(22) Do any employees predominantly work at home?		
(23) Any tax liens or bankruptcy within the last 5 years?		
(24) Any undisputed and unpaid workers compensation premium due from you or any commonly managed or owned enterprises? If yes, explain, including entity name(s) and policy number(s).		

THE NEW CENTURY COURIER INSURANCE PROGRAM

COURIER BEWARE

Over the many years we've worked with the courier industry, we have found a number of situations/exposures that may pose major problems. Day-to-day decisions are usually made without regard to insurance implications. The result may lead to actions or inactions that may not be covered by a standard insurance policy.

There are also a number of non-standard coverages that are should often be considered by courier companies. We suggest that you understand what these coverages are, so if you reject them, at least you've been informed.

It is extremely important for you to read and understand the following information/warning. We are always available to discuss any of these items with you to enhance explanation and obtain quotations for the appropriate coverage where available.

USE OF SUBCONTRACTORS/AGENTS

More and more, the courier industry is subcontracting work to "agents" (other courier companies). It is extremely important to establish responsibilities and liabilities via a formal written agreement. As with any contract or agreement, you should utilize your attorney, however, we can provide a sample "agent agreement" upon request.

The agreement should clearly outline certain minimum insurance requirements. Then you must absolutely make sure to monitor their insurance. We can give you suggestions on how best to do this.

Your customers are requiring you to provide certain levels of insurance – why wouldn't you want to do the same thing with subcontractor/agents you are paying?

UNINTENTIONAL REVEALING OF CONFIDENTIAL INFORMATION

Nearly any business today has a lot of personal customer information and as such, is exposed to privacy losses. Awareness of this potential liability has been heightened by the news media in recent years. Examples of the exposure include:

- Loss of data from stolen computers
- Improper disposal of work product
- Accidental leakage of information

We have recently introduced a product that will provide you with protection for these exposures at very reasonable premiums. We will automatically offer a minimum level coverage of \$25,000 per occurrence with a \$50,000 annual aggregate with each Package policy that we write. Higher limits are available upon request.

STOP GAP LIABILITY

This coverage may be provided by itself or by endorsement to the General Liability policy. It provides Employers Liability coverage for work-related injury arising out of operations or exposures in states that have monopolistic state funds for Workers Compensation, namely; North Dakota, Ohio, Washington and Wyoming.

If you have operations in any of these states or regularly enter any of them, you should consider adding this coverage.

INDEPENDENT CONTRACTOR WORKERS COMPENSATION SOLUTIONS

This topic is one that can be discussed for hours. It is important, misunderstood and often not handled properly. If you have your Workers Compensation (WC) coverage placed through the assigned risk pool, or even a voluntary market, but are covering only your true employees, the good news is that if a driver is injured and claims employee status to be compensated under WC, you do have a WC policy that will have to pay the claim. The bad news is that this situation would absolutely trigger an audit by the carrier and they WILL come after premium on all the IC's. Even without a claim to trigger it, an audit is extremely likely and they are going to go after premium on the IC's because they are "uninsured subcontractors". Be careful on subbing out any work to other companies – if you do this, you need to obtain a current WC certificate. Otherwise, you could end up getting charged for WC premium on their drivers as well.

There are several ways to deal with this issue efficiently:

1. Include the IC's under your WC. Because they are IC's, you can use the "one-third rule", meaning that the premium is based on one-third of their 1099 amounts. Also, you can charge back the premium to the IC's in many states – ask us which states. By using the one-third rule and charging the premium back, the IC relationship is reinforced. The average rate for the governing class – 7231 Parcel Delivery – is between \$10 and \$15 per \$100 of remuneration in most states.
2. Utilize a Professional Employment Organization (PEO) for all W-2 employees. This gets rid of the audit problem since you wouldn't have any employees, therefore you wouldn't have to buy WC at all. The problem with this option is that if an IC is injured and claims and wins employee status to obtain WC benefits, you've got no policy to respond.
3. Utilize a "third party contractor management company." There are three serving the courier industry – SCI, NICA and CMS. We know them all and how their programs work and largely for insurance reasons, we recommend SCI. Basically, there are three tiers to their program:
 - a. Occupational Accident insurance for the IC. Not WC, but it has decent levels of medical and disability coverage for work-related injuries.
 - b. "If any" WC policy on each IC, including an "alternate employer endorsement" naming SCI. This allows the IC to formally acknowledge that he is operating as an IC and exempt their own payroll and themselves from WC coverage as the "sole proprietor" if not incorporated or as an "executive officer" if incorporated. This serves to help SCI and the courier company to clearly define the IC position and to defend against reclassification if a legal action is brought by an IC to gain employee status in order to make a WC claim. This is supported and adhered to by the fact that every state allows small businesses across every business sector to use these exemption forms and disallowing this would go against established insurance practices in place for many years. Further, since SCI holds the contract with the driver and pays each driver on a 1099 basis, SCI is recognized as the primary labor contractor. So, in the event the IC comes after WC and he is deemed to be an employee, it is SCI's legal status as a primary labor contractor that is going to be considered the "employer", and as such, is extended a statutory coverage position under the IC's "if any" WC policy with the "alternate employer endorsement".
 - c. There is even further protection due to the fact that SCI maintains their own corporate WC coverage via an employee leasing company provided by a national A+ rated insurance carrier. SCI has its leased employees covered, both under clerical and driver class codes, and SCI has secured a position as "alternate employer" on the leasing company's WC policy. So in the extremely unlikely situation where a claim isn't shut down on the "if any" WC above, this policy will step up.

Then, for WC on your employees, you can get your own WC policy and not be concerned about an audit, because you will be able to demonstrate that the drivers are otherwise insured. Alternatively you can utilize a PEO for the employees.

The cost of this program is approximately \$25/week per driver (paid for by the driver, of course) and SCI charges approximately \$2 per check to administer the settlements.

4. We have secured a program with a national “A rated” carrier that will offer a similar three-tiered program, all with the same carrier:
 - a. Occupational Accident Insurance similar to what SCI and the other third-party management companies offer.
 - b. Contingent Liability provides legal defense coverage in the event an IC attempts to be reclassified and gain WC benefits. If the IC is successful, the policy responds with benefits equivalent to statutory WC benefits, subject to an overall limit.
 - c. WC on the W-2 employees, with no possibility of going after WC premium on the IC’s.The cost averages about \$95/month per driver for the Occ-Acc and Contingent.

UTILIZING A PROFESSIONAL EMPLOYMENT ORGANIZATION (PEO), EMPLOYEE LEASING COMPANY OR TEMPORARY STAFFING COMPANY

Many of you do this now, have done it in the past or will in the future. There are clearly advantages gained, such as the IC/WC issue discussed earlier in this document. There is, however, a potential problem of which you should be aware.

Injury to a “leased” or “temporary” worker should be covered by the PEO/Temp-Company’s WC policy. No problem there, however, there could be a problem if the injured worker decides to file suit against you for negligence. Your commercial general liability policy will likely deny coverage due to the “Employers Liability” exclusion. Employee, as defined in the GL policy, includes a “leased worker”. If the worker was a “temporary worker” – a person who is furnished to you to substitute for a permanent employee on leave or to meet seasonal or short-term workload conditions -- the Employers Liability exclusion does not apply.

There are a couple of solutions, so if you are using leased or temporary workers, contact us. We’ll help you determine if there is a problem then advise you how to address it.

LEASING DRIVERS TO CUSTOMERS (DRIVING CUSTOMERS VEHICLES)

While this doesn’t seem to be a big trend in the delivery industry, we have come across it in several potential claim situations.

Our underwriters have not contemplated this exposure or priced for it. It’s questionable, at best, as to whether your Non-Owned/Hired Auto coverage (if you carry this) would apply. The facts in each situation will have to be closely examined in order to determine if coverage applies.

Since some of you utilize IC’s, another concern should be if the IC status would hold up under IRS scrutiny when the alleged IC is not providing his/her own “equipment”.

Also, what about “occupational injury”? Is the IC covered somewhere, or will an injured driver end up with a claim against your customer’s WC policy? Certainly, that won’t promote good customer relations!

If you intend to or are doing any driver leasing we need to know about it immediately and you need to make sure that there’s a clear understanding, in writing with your customer that the customer’s auto insurance will apply on a primary basis for any accident involving their vehicle.

DRIVER REPORTING

Those of you that have Owned Auto policies with certain carriers such as Lincoln General, Clarendon, Scottsdale, Wesco and Progressive, ***MUST REPORT ANY NEW DRIVERS IMMEDIATELY!***

Accidents involving drivers who are unreported may result in denial of coverage or reduction of coverage. It’s best to report anyone new right away. You should have a form in your office for *New Driver Reporting*.

EMPLOYEE BENEFITS LIABILITY

This coverage protects the Insured employer against claims by employees or former employees resulting from negligent acts or omissions in the administration of the Insured's Employee Benefit Programs (i.e. Group Medical/Health Insurance).

CONSEQUENTIAL LOSS (ERRORS & OMISSIONS)

If you make a delivery that is late, delivered to the wrong address, or never gets delivered at all and there are financial consequences – **YOU HAVE NO COVERAGE!** You would need to purchase Errors & Omissions coverage, specifically. This coverage has been accessible, although very expensive, very limited, and came with a high deductible. We have introduced a new Errors & Omissions product underwritten by St. Paul/Travelers.

However, even with affordable coverage available, it may best be dealt with by; (a) avoidance – not accepting work that clearly imposes significant, (b) contractually transferring the risk back to the customer via a Hold Harmless Agreement, or just having the customer sign off, indicating that you have no liability for consequential damages.

A couple of examples should clearly illustrate the risks:

- A delivery driver picks up a contractor's bid that must be delivered by noon on Friday. The driver is delayed and the bid arrives late. As it turns out, it would have been the winning bid. Contractor sues the delivery company – NO COVERAGE!
- A delivery driver is delivering medical records from a private physician's office to a record storage facility. The container holding the records falls out of the delivery truck spilling records all over the highway. The driver manages to pick-up most of the records and completes the delivery to the records storage facility. It turns out that several of the records weren't retrieved. One record contained the positive results of an HIV test for a prominent local politician. The lost record is found by someone who hands it over to the local news media. The politician sues the delivery company for "invasion of privacy & humiliation" – NO COVERAGE!

In the vast majority of situations where "consequential loss" could occur, the delivery company knows what is being transported, as opposed to the many miscellaneous, non-risky packages that most delivery companies mainly deal with delivering. The delivery driver/company can then consciously make the decision not to accept the job, or accept it only if the customer agrees, in writing, to hold the delivery company harmless for any consequential loss – unless of course, Errors & Omissions coverage is obtained.

The appropriate application will be supplied to you upon request.

TRAILERS (OWNED/LEASED BY COURIER COMPANY)

What would seem to be a simple thing, buying or leasing a few trailers and making them available to your IC's, actually creates a serious coverage issue for both liability and physical damage. If you own or lease the trailer, it *doesn't* fall under your Non-Owned/Hired Auto policy. Can you *fix* the problem by leasing it to the IC? **NO!** Assuming the IC is driving a one ton pick-up, it's likely he/she has a Personal Auto policy. There is absolutely no liability or physical damage coverage related to the trailer under that policy. Now, if the IC has a Commercial Auto policy and schedules the trailer, at least you'd have the protection of that policy, but only while the trailer was pulled by the vehicle scheduled on the policy. Hopefully the limits are reasonably high.

The bottom line is that trailers can be a big problem. If you utilize them in any way, we can help give you the proper advice.

CHARGING DRIVERS FOR YOUR NON-OWNED/HIRED AUTO COVERAGE

You *must not specifically* make a deduction from your driver for AUTO INSURANCE as reimbursement for a Non-Owned/Hired Auto policy. This implies that the drivers are covered – which **IS NOT** true. You, the courier company, are covered for acts of the driver – period!

UMBRELLA LIABILITY

Most of you are aware that Umbrella Liability increases the amount of protection you have for liability claims (General Liability, Auto Liability and Employer's Liability) and it *may* pick up some liability exposures not covered by your primary policies.

Limits normally begin at \$1,000,000 and can be increased in increments of \$1,000,000 to just about any limit you desire.

It's been our experience that the vast majority of the courier companies *do not* purchase an Umbrella. A large percentage of you did purchase Umbrellas prior to the *hard market* hitting us in late 2000. However, with premiums for all coverages escalating significantly, many of you felt you had to cut out the Umbrella or at least reduce limits. Nonetheless, we haven't seen the amounts of damage awards reduced, or even level off, so it's still a good idea to consider an Umbrella at some level.

EMPLOYMENT PRACTICES LIABILITY COVERAGE

It's hard to pick up a major newspaper these days without reading about some company being sued by an employee for harassment, wrongful termination, or discrimination of varying types including sex, race and national origin. While lawsuits against major Fortune 500-type companies get most of the press, there are an increasing number of law suits being filed against small to medium sized employers. Often they are groundless, but it can get expensive just to put up a defense. There are quite a few insurance products available at reasonable costs and with reasonable deductibles. Some of these will also extend coverage to allegations made by IC's. It's not a bad idea to consider purchasing this coverage.

FIDUCIARY LIABILITY INSURANCE

This insurance covers claims arising from a breach of responsibilities or duties imposed on a benefit plan administrator or a negligent act, error or omission of the administrator. For example, a pension plan goes broke based on mismanagement by the plan administrator.

DIRECTORS & OFFICERS LIABILITY

This is a form of Errors & Omissions insurance covering the directors and officers of a corporation. It can also be extended to protect the corporation against lawsuits alleging they committed wrongful acts. However, this coverage does not apply to bodily injury or property damage.

WAREHOUSING

A typical Cargo policy covers property in-due course of transit, which includes storage up to 72 hours. If you are storing property of any kind for more than 72 hours, you need to complete the *Warehousing Questionnaire* in the application, so we can provide coverage either under a.) Personal Property of Others or b.) Warehouseman's Legal Liability. Otherwise, you'll have no coverage.

TERRORISM

Since 9/11/01, many policies began excluding *terrorism* losses. A few states decided not to allow these exclusions, but generally, they are prevalent.

The Terrorism Risk Insurance Act (TRIA) was signed into law in November 2002 by President Bush, effectively negating all terrorism exclusions. All Insurance carriers licensed to do business in the U.S. must offer terrorism coverage. Often it's presented as an *optional* coverage that you as the Insured can accept or reject. Sometimes the coverage is automatically included in the policy - which is permitted as long as the carriers specifically identify that part of the premium allocated to terrorism. The TRIA applies to virtually all commercial policies.

If terrorism is optional, should you buy it? The first thing to assess is your exposure. From the stand point of property, if you own your building and are located in a *major* city, one might strongly consider buying it. Certainly cost is a factor. If it's a very *small* incremental cost, it's probably a no-brainer.

If your drivers spend a lot of their time in downtown areas of major cities, there's an increased exposure to *occupational injury*.

Turning to *liability* – it's conceivable that a courier may unknowingly pick up a package containing explosives and inadvertently deliver it to an office building. Even if you ultimately get dismissed from a lawsuit, you'll incur some defense costs, not to mention a lot of anxiety. Here again, if the incremental premium is small, and it usually is, you may want to go ahead and buy it.

Lastly, if the cargo you're carrying gets destroyed in a terrorist situation, you could be liable. Again, weigh the costs against the odds and do what makes sense.

SIGNAGE

We have always recommended (in the *NON-OWNED/HIRED AUTO PROGRAM AGREEMENT* included as part of our application) that IC's not use signage unless it is required under your Federal and/or State Operating Authority. When smaller vehicles (under 10,000 lbs. GVW) are involved, make sure to use only magnetic signs and require the IC's to remove them when not making deliveries. If you don't have/need formal operating authority and are not required to use signage, we strongly advise against it. You may want to use signage in an advertising capacity. From a risk management standpoint, we clearly feel the risk of signage making you a *target* for lawsuits, far outweighs any advertising benefit. You may have certain customers that require signage to gain access to their property. We suggest that you talk to them about requiring ID badges instead.

WEBSITES

Many of you proudly refer to websites in your advertising. Undoubtedly the web is a great way to display your company's services. However, most advertising, in whatever form, involves varying degrees of hype (translated as "stretching the truth", "laying it on a little thick", etc.). While it may have the desired effect in terms of attracting business, websites are also a great source of information for insurance underwriters. For example, if an underwriter goes to your website and sees you "operate in 48 states" and have "200+ drivers" – compared to your insurance application which states you operate 98% within 100 miles of your office with 50 drivers – there's a credibility issue. Your insurance application is likely accurate, but the 48 states and 200 drivers sound good. Technically, you can arrange transportation for customers virtually anywhere by sub-contracting work to other courier companies.

The point is, while websites can be very positive and help generate business, they can also send conflicting messages to insurance underwriters. Just be careful!

AUTO POLLUTION LIABILITY

The *ONLY* Pollution Liability coverage you have under any standard auto policy is relative to *pollutants* that escape from the vehicle's engine or fuel tank, such as oil or gasoline, as a result of an accident. You *DO NOT* have coverage for pollutants that you are transporting as cargo, however our standard cargo policy may provide up to \$10,000 of Pollution Clean-Up.

At one time or another, most couriers carry cargo that falls into a HAZMAT classification. This can include paint, soap, hair spray, etc. However, most of the time, there are only small quantities of these materials being transported and they are not considered bulk, so you don't need the HAZMAT placard. Frankly the exposure is likely minimal, but keep in mind, if you are carrying materials that fall into a HAZMAT category, in any amount - even less than the bulk definition, you need to think about securing the appropriate coverage. (To find out what quantity of HAZMAT material constitutes displaying a placard, go to hazmat.dot.gov and review the Code of Federal Regulations, specifically CFR49 – section 172.504.)

MCS-90

Federal regulations require that all motor carriers that are regulated on a federal level show proof of minimum financial responsibility. The MCS-90 endorsement to an existing Auto/Truckers policy is the primary means of satisfying this requirement. The MCS-90 is designed to protect the public, not the policyholder. The essence of the potential problem to the policyholder is that because of the MCS-90, a claim could be paid by the insurance company that *IS NOT* covered by the policy. In the event this happens, the insurance company can and will attempt to recoup what was paid from the insured/policyholder.

The primary source of trouble would likely involve environmental restoration and clean up. Unless you are a licensed HAZMAT carrier, it's highly unlikely you carry Auto Pollution Liability coverage. To our knowledge, it's not available from any insurance company currently underwriting Auto Liability coverage for courier companies. However, many of you routinely carry things that could be *pollutants*. For example, you may be carrying a load of plastic parts/goods of some kind. There's an accident and a fire ensues, melting the plastic onto the highway. It's highly likely that there will be some environmental clean-up. Due to the MCS-90, your insurance company would be responsible for the costs. Since there isn't coverage under the policy, the insurance company is entitled to come back to you for reimbursement.

There is a coverage endorsement – Pollution Liability - Broadened Coverage for Covered Autos. Unfortunately, to our knowledge, not one of the carriers underwriting couriers makes this endorsement available. Although, if it were available, it would provide reasonable coverage at an affordable premium.

On the other hand, you can secure the appropriate, separate Auto Pollution Liability coverage.

While this information is geared to those of you with Federal Authority, I'd advise the same caution to everyone. If you don't have Federal Authority (no MCS-90 on your policy) and a situation involving environmental clean up occurs – there is no coverage. Please be aware of the potential problem, and to the extent you can, try to avoid carrying products that are or could become *pollutants*.

CYBER RISK

As the business world continues to become more dependent on the internet and electronic data, you are increasingly subject to *Cyber Risk*. Whether you use only one computer in your operation or have several workstations and servers onsite, you have the potential for a cyber loss - particularly if you have a website. Cyber Risk insurance can be categorized into two different coverages; Third Party or First Party.

Third Party coverage protects your organization from claims arising out of things such as wrongful acts, including any form of defamation or other tort-related disparagement; trade libel; copyright infringement; plagiarism; misappropriation of ideas; liability arising from unauthorized access or use; computer virus transmissions or loss of service; disclosure of confidential information; and denial of service to customers. These claims can be centered around content on your webpage, such as using a link to another company's webpage without permission, using another company's logo without permission, defaming a company on your webpage, negligently displaying content or information, false advertising, or *framing*. Typically, Third Party claims are costly to defend and settle. Paying these expenses out-of-pocket could endanger you and your business. While many companies believe that this liability is covered under the Commercial General Liability policy, a gray area remains as to whether this will be covered by the carriers. The best way to cover your Cyber Liability and the Errors & Omissions associated with this is through a Third Party Cyber Liability policy.

First Party Cyber coverage protects your organization from unauthorized access by hackers, crackers and competitors into your systems (computer network, server, telephone, fax, e-mail, etc.) resulting in damages. The coverage provided includes protection against things like illicit transfer of money, securities, data and tangible property; network based extortion; theft of telecommunications services; loss or corruption of proprietary data; restoration or repurchase expense; computer viruses and other malicious code losses; and loss of Business Income due to intentional network disruption. These situations are not covered by your Property/Crime policies.

Unfortunately, as the internet continues to grow in popularity, so does the malicious intent of hackers and crackers!

CONTRACTS

Unfortunately, today we're living in a world where almost everything is governed in some way, shape or form by *contracts*. These seem to be ever more complex and from the standpoint of the courier industry – *most* of the time they are clearly in favor of the customer.

That being said, it's downright scary how many contracts are signed by couriers without review by their attorney or insurance agent/broker. There's often a *mistaken* assumption on the part of the courier that their insurance will cover any liability assumed under contract. The fact is that some may be covered, but many won't be!

You need to thoroughly review any contract you're being asked to sign and/or give them to your attorney and insurance agent/broker. If you're going to assume liability that insurance doesn't cover, you should know that going in. Often, you can avoid uncovered liability by getting your attorney and/or your insurance agent/broker to either negotiate on your behalf with the customer, or at least give you enough information so you'll be in a position to make an enlightened decision.

INSURANCE CHECKLIST

Thank you for taking the time to complete this rather lengthy application. Hopefully, whether you completed it on your own, or with our assistance, the process served as a good review.

Following is a “checklist” of insurance coverages for which specific sections of the application apply to, or are mentioned in the “Courier Beware” section as potential coverage/exposures to be pursued for further consideration, either more discussion/explanation and/or a quotation.

- A. Property
 - 1. Building
 - 2. Contents
 - 3. EDP
 - 4. Business Income/Extra Expense
- B. Cargo
- C. Warehouse Legal Liability
- D. Auto
 - 1. Owned
 - 2. Non-Owned/Hired
- E. Crime
 - 1. Employee Dishonesty, Including IC's
 - 2. Depositor's Forgery
 - 3. Funds Transfer Fraud
 - 4. Computer Transfer Fraud
 - 5. Money & Securities
- F. General Liability
- G. Guard Liability (Unintentional Release of Confidential Information)
- H. Errors & Omissions/Consequential Loss (Supplemental App Required)
- I. Umbrella Liability
- J. Workers Compensation
- K. Occupational Accident - Contingent Liability
- L. Stop Gap Liability (applicable only in North Dakota, Ohio, Washington, and Wyoming)

INSURANCE CHECKLIST (cont.)

- M. Employment Practices Liability (Supplemental App Required)
- N. Directors & Officers Liability
- O. Employee Benefits Liability
- P. Fiduciary Liability
- Q. Leasing Drivers (to customers)
- R. Sub-Contracting to Other Courier Companies
- S. Trailers
- T. Driver Reporting
- U. Terrorism
- V. Auto Pollution Liability
- W. Cyber Risk

By signing below, you are acknowledging that you:

- Have completed the application with information that is true and accurate within the scope of your knowledge, and
- Understand to a reasonable degree the coverages we're being asked to quote and have inquired about other coverages/exposures outlined and have elected not to seek specific coverage.

Please understand that we will only be able to offer you a quotation when all applicable sections of the application are completed and signed, and any additional requested items are received.

By (print name): _____

Date: _____

Signature: _____

Title: _____