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As a car hauler, you have insurance needs that are unique from those of other types of trucking companies. As a result of these unique insurance needs, gaps exist in the insurance policies of almost every small fleet (12 power units and under) auto hauler. You don't just haul your cargo; you also drive it and must have insurance that covers you while doing so. There are situations where your cargo is damaged that prevent it from being sold or requires a disclosure of the damage that diminishes the value of the cargo. This article will look at the GAPS between typical truckers' insurance policies and what a car hauler needs, as well as the real-life consequences of the resultant exposures.

The standard truckers' insurance policy has exclusions and limitations that can create exposure for car haulers in the following situations:

- Operating a cargo unit;
- A new car cargo unit suffers damage that prevents it from being sold;
- Repairs that reduce the value of the cargo unit; and
- Sub-limit per cargo unit hauled.

Manifested Auto Coverage: The first area that is unique is Auto Liability coverage for driving cars on or off the truck, driving them in a lot or depot and making ultimate delivery. The fact is that almost all small fleets (12 power units and less) are written on a specified unit basis. That means that unless the vin number of a vehicle is specifically listed on the policy, there is no Auto Liability coverage provided. If while driving a cargo unit your driver runs into another vehicle, or worse hits a pedestrian, damage to the cargo unit itself would likely be covered under your cargo policy. However, there would be no coverage for the damage to the other vehicle or the bodily injury to the pedestrian.

Constructive Total Loss Coverage: There are several potential "gaps" in almost every small fleet inland marine or cargo insurance policy. The first is, when a new car suffers damage while in transit and the manufacturer cannot certify the vehicle as safe to enter commerce (sold as a new car). This referred to as a Constructive Total Loss (CTL), as the damage can appear to be minor, but the repairs meet the criteria that the manufacturer deems the car must be destroyed or otherwise not be sold. Often insurance company policies do not cover CTL or have policy language that leaves the motor carrier with little option other than to pay the claim out of pocket.

Diminished Value Coverage: The second "gap" in coverage applies when a vehicle is damaged in transit, and as a result of that damage, the value of the vehicle is less than the original value. Sometimes the diminishment in value is set by contract as a percentage of the value of the vehicle or determined by the car being sold at auction. The motor carrier is then billed the difference between the pre-damaged value and the auction price. Inland marine or cargo policies typically exclude these kinds of claims, leaving the motor carrier to pay all diminished value claims out of pocket. Claims of this type are very common in the auto transport business and can range from a few thousand dollars to tens of thousands of dollars per unit damaged.

Sub-limits: Lastly, a gap can exist where the inland marine or cargo policy has sub-limits. While a policy may provide $350,000 in total coverage limits for a load, it may contain a $25 - $50,000 sub-limit. So, if a motor carrier is hauling a load of 8 vehicles with a total value of $320,000, however one of those vehicles is valued at $60,000. If the motor carriers inland marine or cargo policy has a sublimit of $40,000 the motor carrier would have to pay $20,000 out of pocket.

Consequences of GAPS in Insurance Coverage:

Manifested Auto Liability; A car hauler was delivering to a dealership located on a two-lane highway bordered on both sides by a deep drainage ditch. Because there was not sufficient room for him to unload in the dealer's lot, he parked his vehicle on the side of the road and began to unload. It happened that an employee of the dealership had parked his car on the road close to entrance to the dealer lot. While moving a cargo unit from his carrier to the dealership he struck the employees car. His insurance policy covered the damage to the cargo unit, however he had to pay over $16,000 out of pocket for the damage to the employee's car.

Diminished Value Coverage: A car hauler with an enclosed trailer was hauling three high valued "show" cars. While enroute the cargo units came loose and shifted resulting in damage to all three. The owner of the show cars submitted claims which included repairs as well as diminished value. Under typical trucking inland marine or cargo policies the diminished value portion of the claim (greater than $100,000) would have been denied. Fortunately for this car hauler, they had purchased coverage through this program which included Diminished Value Coverage and the claim was paid.

There are countless examples of carriers being forced to pay Constructive Total Loss or being surprised when told their policy has sub-limits. No car hauler ever purchases insurance with the intent of having gaps in coverage. However, these gaps routinely exist because the policies were not crafted specifically for the auto haul industry.

In recognition of the above insurance coverage gaps that commonly exist for the car haul industry, NVTA has worked in conjunction with Hylant to create insurance programs that address these issues.

Talk to your insurance agent to determine whether what potential gaps you have or call Hylant at 260-969-3959 to discuss further.

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