



PROPERTY BROKER – PROFESSIONAL LIABILITY CLAIMS REVIEW

To illustrate how valuable Avalon's Combined Transit Liability program is in managing a property broker's business risks, we compiled the following claims. The settlement and the legal fees were the amounts paid by the insurance company.

Stolen Cargo

A property broker arranged to have an independent trucking company transport a shipment of tires. The trucking company agreed to indemnify the property broker for any loss, damage or delay. In order to cover the obligation, the trucking company purchased a Motor Truck Cargo policy, which insured property while in "due course of transit." During the trip, the tractor portion of the tractor trailer experienced mechanical difficulties and needed to be repaired. The driver parked the trailer behind a shopping center and proceeded to get his tractor fixed. The trailer was left overnight and when the driver returned the next day, the trailer and the tire shipment were gone; the load was stolen overnight.

The trucking company submitted a claim for theft under its Motor Truck Cargo policy, but the claim was denied on the basis that the trailer was parked at the time of loss, and thus was not "in the course of transit." The shipper sued the property broker for the full amount of the cargo. The property broker's Contingent Cargo Legal Liability coverage paid the shipper the full amount.

Claim Amount: \$35,700
Settlement: \$35,700
Legal Fees: \$6,500
Insured's Deductible: \$5,000

Negligent Selection of Carrier

Before delivery, a driver accidentally broke the seal off a container. As a result, the consignee refused the load and did not pay the shipper. Because there was no loss or damage, the trucker's Motor Truck Cargo and the broker's Contingent Cargo policies would not respond.

The shipper sued the property broker for negligent hiring of a trucker. Brokers are increasingly held liable for the actions of the carriers they hire. The broker's Errors & Omissions policy appointed an attorney to settle the claim out of court.

Claim Amount: \$45,124
Settlement: \$30,000
Legal Fees: \$13,620
Insured's Deductible: \$5,000

Failure to Follow Instructions

A property broker was hired to ship a full container load of frozen meats from Colorado to Seattle, which required a temperature of -20°C for the container.

The property broker inadvertently made a typo on the instructions to the carrier and the container was set at +2°C for chilled meat instead of -20°C for frozen meat. When the meat arrived at its destination, it was completely spoiled. Because the carrier did not act negligently, the claim would not be covered under Contingent Cargo Liability Insurance and the shipper sued the property broker for the lost profits.

Errors & Omissions coverage paid for the property broker's legal fees and settlement amount, minus the insured's deductible.

Claim Amount: \$92,859
Settlement: \$80,000
Legal Fees: \$9,760
Insured's Deductible: \$5,000

Misdirected Load

Because of a mix-up in paperwork, a broker accidentally confused a load bound for New York with a different load sent to Boston. The shipper sued the broker for the cost of retrieving and redirecting merchandise, loss of use, loss of sales and other consequential damages.

Because there was no loss or damage, the trucker's Motor Truck Cargo and the broker's Contingent Cargo policies would not respond. The broker's Errors & Omissions policy paid for the legal fees and settlement amount, minus the insured's deductible.

Claim Amount: \$12,875
Settlement: \$7,000
Legal Fees: \$3,470
Insured's Deductible: \$5,000

For more information on Professional Liability Insurance for property brokers, contact your local Avalon office or email marketing@avalonrisk.com