



# The ultimate guide to transport insurance



**Gallagher**

Insurance | Risk Management | Consulting

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# Introduction

The transport and logistics industry is critical to Australia, both in practical terms and economically, and operators of all types and sizes are involved nationally.

Road transport provides 80% of the country's needs so the range of operations is as diverse as the goods and services delivered. With so many areas of specialisation, transport businesses face different risks that are particular to their sector and often to their individual company structures and fleets – from a single delivery vehicle to fleets of multiple combinations.

This guide provides a general outline to help you identify what your operation's risk exposures are and what insurance cover you need to safeguard your business

## In this guide you'll find

- an overview of the insurance requirements for the transport and logistics industry
- information about specific high risk exposures and the relevant insurance solutions
- common questions we receive from our clients, along with answers
- a glossary of need-to-know insurance terms.

## How Gallagher can help

Gallagher has more than 30 years' experience in the transport and logistics industry, and we have the knowledge and a range of insurance products to give you protection and peace of mind, no matter what scale and sector your business represents.

Whether your operation deals with first and last kilometre jobs or runs remote route road trains, carries dangerous goods, bulk commodities or engineering equipment or provides distribution and warehousing, we can help with the cover you need. We also tailor bespoke packages for individual businesses, simplifying paperwork and ensuring there are no gaps or double-ups.

## Gallagher is partnered with

- National Bulk Tanker Association
- Queensland Trucking Association
- Victorian Trucking Association
- South Australian Trucking Association
- Tasmanian Trucking Association
- Westroads
- Australian Fertiliser Services Association
- Family Business Australia.



## Industry overview and key trends

Competition in the transport and logistics industry is fierce and profit margins are being squeezed, with fluctuations in fuel prices part of the pain. If you're a smaller operator you're often at the mercy of the larger companies you contract your services to.

You may have seen some of the bigger businesses selling out to or buying up others or, at the smaller end of the scale, some of your competitors forced out of business or merging with another operation. Business survival depends on your ability to manage costs, negotiate favourable terms and protect your bottom line.

Insurance plays an important part in safeguarding your business in the event that you have to manage the unexpected. This guide provides a general outline to help you identify what your operation's risk exposures are and what insurance cover you need to safeguard your business.

# Insurance requirements for the transport industry

While we can't adjust fuel prices, Gallagher can optimise your operation's ability to ride out challenging conditions and business fluctuations by positioning you to survive any insurable event and making sure all your exposures are covered.

As with any industry the insurance requirements for your company vary according to the type of business you're operating, its structure and size, and the kind of work you undertake.

## Some forms of insurance are compulsory.

- **Third party personal injury insurance** – if you own a motor vehicle, you must pay for third party personal injury insurance. This is often part of your vehicle registration fee.
- **Public liability insurance** – public liability insurance covers you for third party injury or death. If you operate out of premises that have public access you must take out public liability insurance.
- **Workers' compensation** – this mandatory insurance for all employers in every state and territory provides cover for workers who suffer a work-related injury or disease. Its administration varies across state jurisdictions, for help with obtaining requisite cover, visit [www.ajg.com.au/workerscomp](http://www.ajg.com.au/workerscomp).



## Risk exposures

### Marine transit

Loss or damage to freight carries the highest risk exposure in relation to customers' goods in your custody and the increasing trend is for large transport companies to pass the responsibility for insurance cover on to contractors. Contractors need to have a policy in place to accept the contract and to ensure that the cover is adequate for the goods carried. Some of the risks to consider include

- having the right insurance cover in respect to the contract
- is the consignment note legally valid?
- value of the goods carried
- the type of freight: oversize, machinery, dangerous goods etc.

#### Cover

If you are a sub-contractor you need to be sure you're in a watertight position legally. Check your contracts and talk to your insurance broker about the extent and value of the risk involved in the goods you are carrying to ensure you have the right cover at a fair and reasonable premium.

### Motor

This is also a high area of risk for the transport sector due to the fact that a truck driver's cab is also their mobile office. They are in it all day, every day, and at the same time they must deal with the public on the shared road system. The extent of the risk depends on the scope of carriers' operations, distances travelled and the nature of the goods carried. Common exposures include

- long-haul journeys (the longer the drive, the more risks the driver encounters)
- incidence of accidents (as above)
- driver fatigue from being too long behind the wheel without a break
- type of freight (dangerous goods crank up the risk factor).

#### Cover

In order to get the best terms on motor cover you need to be able to demonstrate tight fleet management and regular maintenance, as well as proof of safety policies and protocols.



## Property damage

Property damage for the transport sector is generally a key exposure, although risk can vary from low, for owner-drivers, to high for large-scale operations. Different types of operations, the services they provide and the kind of freight they carry, affect the degree of risk they face. Some common exposures include

- dangerous goods that are radioactive, toxic, explosive, inflammable or otherwise dangerous, in any form
- perishables such as produce or meat
- goods that have to be on and off-loaded multiple times
- provision of storage or warehousing facilities.

### Cover

To ensure you are adequately covered for property damage you need to identify all of your equipment and assets, as well as those owned by third parties such as contractors or the owners of the goods you are transporting. Your insurance broker can help you create an inventory of the items and values that need to be included.

## Business interruption

The risk of being forced to suspend operations in your industry is moderate to high and spans damage to vehicles as well as operations' premises. This cover includes

- damage to fleet vehicles or combinations
- loss of use of office premises
- loss or warehousing or storage facilities
- inability to maintain business functions, such as communications or data records.

### Cover

This insurance cover has the potential to save your business. If you are forced to suspend operations and you are not bringing in revenue through regular business activity, you will need to be able to pay bills and wages until your operation is up and running again. Imagine how long a worst case scenario could put you out of action and then add some months. Be sure to include all your costs. Your insurance broker will be able to assist.



## Employee liability

Depending on whether they work in an office setting or as drivers on the road, transport businesses' employees face varying degrees of risk. For example

- accidents
- strain and musculoskeletal injuries
- falls from elevated locations
- exposure to dangerous fumes or gases.

### Cover

Workers' compensation cover is mandatory for all your employees, including part timers and contractors. Your broker is there to help navigate the rules and regulations that apply to your jurisdiction and specific business operation.

## Cyber risks

As the industry becomes increasingly automated and reliant on electronic communications and data exposure to accidental or malicious interruptions or breaches is increasing. Some of the risks to consider are

- internal use of interconnected data systems
- external use of data systems linking supply chains and service providers
- large volumes of customer data
- failure to implement and maintain high level data security
- use of older devices or operating systems lacking security features.

### Cover

The introduction of mandatory data reporting means there is nowhere to hide if a security breach of data relating to anyone in your business relationships occurs. Business interruption is one key concern, remediation and potential legal costs are others. Cyber insurance gives you cover for these contingencies.

## Crime

Crime risk is high in this sector, most commonly in the form of theft of freight goods. Trust is a particular issue due to the high number of contractors involved in many operations. Exposures include

- type and value of freight goods
- provision of storage or warehousing facilities
- number of sub-contractors coming and going
- security of office equipment.

### Cover

When property is changing hands the interchanges will always represent a point of weakness so it's important that your customers' and your own assets are fully protected by a crime policy that takes into account the maximum values involved.

## Equipment breakdown

A critical area of insurance cover for most businesses. Loss of functions can halt operations, and the range of operating equipment is broad and encompasses

- goods handling equipment
- refrigeration
- computer and communications equipment
- interruption of public utilities (power supply).

### Cover

There are a number of considerations to take into account when insuring for equipment breakdown: the cost of the damage that it can cause, the cost of repairs or replacement of the faulty equipment and the cost of hiring in substitute equipment to carry you over. Your insurance broker can help you assess the full extent of cover that you need.

**This is not a comprehensive list and there will be other insurance cover your transport operations business needs to consider. Your insurance broker will help you analysis all your risks and develop a program of cover specific to your business needs.**



## Transport and logistics insurance FAQs

**Q:** What is the payout that I can expect on my five year old truck/trailer? Will it be the total sum insured?

**A:** The basis of settlement in most insurance policies is the market value of the vehicle at the time of loss or the sum insured, whichever is the lesser. To ensure you receive an accurate entitlement get regular agreed value sum insured assessments that are signed off by your insurer.

**Q:** The driver of a car in the inner lane of a roundabout came too close to my turning truck, was clipped by the trailer and is claiming for third party vehicle damage. Do I have any recourse?

**A:** Transport companies often carry the blame in apportionment decisions. Gallagher recommends the installation of onboard digital cameras, plus we have developed a Glove Box Kit guide to what to do in the event of an accident.

**Q:** How can a carrier protect themselves if goods inside a sealed shipping container are damaged upon arrival in a sealed container?

**A:** If the damage is discovered at time of delivery the receiver should endorse the delivery docket/packing list as 'received damaged' and the driver should co-sign.

**Q:** If a contracting transport company's tow trailer is damaged am I covered by my prime mover insurance?

**A:** No, a prime mover towing for another company has a duty of care for the trailer and so requires extended trailer in control cover added to their policy.

**Q:** If I pick up customer goods from a depot and they arrive damaged on delivery is this damage to the goods while in the trailer covered by my trailer in control insurance?

**A:** No it's not. You need to take out either goods in transit or marine transit insurance, otherwise you are only covered for damage to your trailer, not the contents of the load you are carrying.

**Q:** I'm a sub-contractor to larger transport companies and lately my employers have asked me to sign a contract that includes particular covers such as comprehensive trailer in control or marine transit cover with full waiver of subrogation in favour of the principal. Should I sign it?

**A:** No, because these terms will be additional add-ons to your policy so you won't be covered until you update it. That will also involve paying a higher premium so you may want to factor that into your negotiations with the employer in question.

# Glossary

Refer to these handy definitions of common transport insurance terms used in policy wordings or product disclosure statements.

**agreed value** the amount payable by the insurer where a vehicle is a total loss following an insured event

**airside activities** activities undertaken by the insured party, including pick-ups or deliveries on the tarmac areas of aviation facilities including operating areas, taxiways and aprons

**business interruption** forced suspension of normal commercial activities, arising from an insured event

**care and custody control** third party property under insured's responsibility

**contractual liability** liability assumed under terms of contract agreements

**cross-liability/joint insureds** multiple parties, where one of the parties is held liable for a claim made by another party under the same contract

**decontamination** fumigation, quarantine and decontamination expenses or similar required to restore property to pre damage condition

**downtime** time lost through enforced cessation of normal commercial activities due to an insured event

**driving risk** legal liability assumed when driving a vehicle not owned by the entity named in the insurance policy

**fidelity guarantee** indemnifies the insured (the employer) for the loss of money or property sustained as a direct result of acts of fraud, theft or dishonesty by an employee in the course of employment

**full replacement value** the cost of replacing an asset with a new same or similar item

**general liability** cover to pay damages for bodily injury or property damage for which the insured is legally liable

**hazardous goods** radioactive, toxic, explosive, inflammable or otherwise dangerous materials in any form

**legal costs** expenses involved in responding to, investigating and/or defending a claim against the insured

**limit of indemnity** the maximum amount paid in the case of the insured being held legally responsible for injury, damage or loss

**machinery breakdown** includes electronic or mechanical machinery and equipment, such as boilers, pressure plants, refrigerators and air conditioners essential to freight transport operations

**motor liability** the insured's legal liability for death/disability of third-party loss or damage to third-party property caused by the use of a motor vehicle

**new vehicle replacement** 'new for old' equivalent replacement of a total loss vehicle

**non-ISR property** property not covered under an industrial special risks (ISR) property insurance policy

**non-owned trailers** trailers owned by entities other than the insured, which the insured uses to carry goods

**stock in trade** goods for sale held by a business

**pollution** contamination conditions arising during transportation including loading/unloading

**property in physical or legal control** third party property under insured's responsibility

**property in transit** goods or personal belongings being transported

**road risk** accidents that occur while insured is operating on public roads

**route service** transport on a regular fixed local route

**wet stock** goods being carted in liquid form, such as fuel

**temporary removal** property temporarily removed from the risk address or location to other premises, including while in transit

**theft above ground** when property not located underground is dishonestly appropriated with the intention of permanently removing it

**wholesale value** the amount the owner of the goods would pay to replace the item without any profit margin or mark up





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