

The Value of Working with Reliable Trust & Bond Providers

The 3PL industry is seeing an increase in shipper requirements for financial security, and TIA is working to help shippers understand where unreasonable requirements only hurt their bottom line. Some shippers are requiring brokers and forwarders to have bonds or trusts up to \$300,000. The benefits to the shipper for such a requirement are unclear: there is no market for a \$300,000 bond, and the bond or trust only ensures payment of the carrier. The result is that shippers, who are stretching their own payment terms as long as 120 days, are putting the expertise and capacity of 3PLs out of reach over a payment guarantee for carriers.

In this market, brokers and forwarders need to understand that confusing shipper requirements are only the tip of the iceberg when it comes to selecting a bond or trust provider. There are competitive programs and companies that are easy to apply for and require no collateral or personal indemnity. It is easy to apply for a program that is not interested in financials, COIs, credit, or experience. But is that a good thing?

Companies need to know their surety or trust provider, and need to know that their provider will respond fully as intended by FMCSA regulations when there is a claim. Business owners need to read the fine print, and ask about the policies and procedures of their service provider. If a Trust Company is not holding the \$75,000 (or higher!) in a dedicated account for your Trust Agreement and benefit, they may not respond the way you expect depending on the size or number of claims received.

There is more to a bond or trust than just paying the premium. The shippers and carriers that you work with want to safeguard themselves from loss. Brokers and forwarders need to know that all trusts ARE NOT alike. If funds for a trust are shared or accrued, and a company is paying a modal premium without the required collateral, then the trust may NOT respond as expected (particularly if the claims aggregate exceeds the trust limit).

Shippers and carriers want to safeguard themselves against risk. Given the complications that arise from unreliable trust fund operators, many now require brokers and forwarders to hold bonds rather than trusts, because bonds must be underwritten by a U.S. Treasury-licensed surety. TIA works every day to encourage fair regulations and to educate companies about the value of holding a bond or trust from a reputable provider.

The TIA Trust Program requires 100% funding for the Trust before issuing and filing with FMCSA. The funds are then held in a dedicated account per FMCSA regulations. This ensures that all required funds are available if the Trust needs to respond to a claim. The full amount of the Trust then remains available to be returned if the business is closed and there are no claims after 18 months.

The TIA Bond Program requires that full financial disclosure, records of certificates of insurance, TransCredit history and broker experience all be available for an underwriter's review. This review ensures that the 3PL can support the bond limit applied for, and has the necessary financial



exposure and experience to sustain the business. The review process moves quickly if all documents are in order. Bonds for qualified applicants can be filed with FMCSA within 2-5 days.

TIA Services has a dedicated Claims Department that works directly with underwriters and customer service representatives to provide excellent member service and resolve claims in a timely manner.

TIA takes the time to understand its members, and is in it for the long haul – just like they are. TIA Services staff and the underwriting team will walk through the application process with prospective applicants, and provide individualized feedback in a judicious and timely manner.

3PLs should be confident that their bond or trust providers will provide all necessary support. Holding financial security from a provider with integrity helps that 3PL demonstrate to shippers and carriers that it is a cut above the rest. TIA hopes you will get to know TIA Services better. Please visit us at <http://www.tianet.org> and see what TIA can do for you.

Protect your business, the next time you look to hire a 3PL to manage your transportation needs, ask if they are a TIA member.