



## **Transportation Intermediaries Association**

### *Performance Certified Program*

In an effort to provide pertinent information to our members, we developed frequently asked questions (FAQs) on the Transportation Intermediaries Association (TIA) Performance Certified Program. For further information and details please use the contact information at the end of this document.

*TIA members who are Performance Certified are dedicated to the highest level of ethics and adopt strict best practices by adhering to the Performance Certified Program rules. Avalon Risk Management, Inc. supports that commitment by partnering with TIA to offer the increased surety levels.*

#### **Q: What is the Performance Certified Program?**

**A:** Performance Certified is a program that offers a competitive advantage to transportation brokers by providing a guarantee of freight payment to carriers, shippers and other third-party logistics providers in excess of the \$10,000 bond required by the Federal Motor Carrier Safety Administration (FMCSA) to conduct business. This bond is not intended to pay cargo claims.

#### **Q: Why is this excess coverage important?**

**A:** Consider the below claim situation where a licensed property broker defaulted on payments to multiple carriers resulting in claims from both the shipping and trucking community:

A property broker is forced to close his business because of mismanaged funds. Within several months, almost 300 claims were filed against the property broker's \$10,000 FMCSA bond. The claims totaled \$1.3 million and were paid on a pro-rata distribution basis. Claimants waited almost nine months before receiving a payment of only pennies on the dollar.

Property brokers that maintain a larger bond amount demonstrate stronger financial backing and a commitment to the shipping and carrier community. Already, the credit agency that provides ratings to the three largest freight boards provides a higher rating to Performance Certified bond holders.

#### **Q: Who is eligible for participation in the Performance Certified Program?**

**A:** Participants must be a TIA member and have taken the steps to become Performance Certified - a contractual best practices agreement for transportation companies who want to achieve a superior level of customer service and performance. Being Performance Certified adds a higher level of trust to the broker/forwarder-motor carrier relationship, and by increasing your level of certification enhances the relationship even further.

In order to apply for the higher bond amounts, applicants must also obtain the required \$10,000 financial guarantee from TIA Surety/AMTEX, a division of TIA Services Corporation. A Performance Certified Program application must be completed, along with a signed indemnity agreement. A financial and insurance review will be conducted to determine a company's qualifications for the options of the additional bond limit.

#### **Q: What is the cost of the Performance Certified Program?**

**A:** In order to participate in the higher levels of the Performance Certified program, applicants must deposit \$10,000 in the TIA/Surety guarantee program and be a Performance Certified member.

# TIA Performance Certified Guaranteed Payment Program

Please see the chart below for the cost of the TIASurety and the Performance Certified Increased bond levels.

| <b>TIASurety</b>                              | <b>10,000 Deposit</b> | <b>\$2,000 deposit + Letter of Credit</b> |
|---|-----------------------|---|
| Application Fee                               | \$100                 | \$100                                     |
| One Time Fee                                  | \$350                 | \$350                                     |
| Annual Fee                                    | \$0                   | \$350                                     |
|   |                       |   |
|   |                       |   |
| <b>Performance Certified Increased Levels</b> |                       |   |
| \$100,000                                     | \$1,850 annually      |   |
| \$50,000                                      | \$1,350 annually      |   |
| \$25,000                                      | \$ 850 annually       |   |

## Q: Who underwrites the Performance Certified Increased bond levels?

**A:** The increased Performance Certified levels provide total excess bond coverage of \$100,000, \$50,000 or \$25,000 to federally licensed property brokers with the FMCSA. The amount of the excess bond is underwritten through American Service Insurance Company, Avalon Risk Management's sister company. Lincoln and Avalon are both subsidiaries of Kingsway Financial Services, publicly traded on the New York and Toronto Stock Exchanges, under ticker symbol "KFS" with a combined equity exceeding \$1.2 billion.

## Q: How do brokers apply for the increased levels of the Performance Certification?

**A:** Each company must deposit \$10,000 in cash or a partial Letter of Credit in the AMTEX program and complete an Avalon Risk Management Application and Indemnity Agreement. TIA Services will execute a trust fund agreement and evidence of the \$10,000 minimum requirement with the U.S. Department of Transportation. All information will be coordinated through TIA Services.

Avalon Risk Management will issue a separate bond secured by American Service Insurance Company in the amount of either \$15,000 or \$90,000 based on underwriting qualifications.

## Q: How is the higher Performance Certified bond underwritten?

**A:** A company's financial strength and their exposure to business risks are considered in the underwriting process. Underwriters look for tangible net worth coupled with sustainable cash flow. Risk is assessed based on an applicant's business risk, size and how well this risk is mitigated through the use of insurance.

## Q: How long will the process take?

**A:** The application process should take less than thirty days provided that a complete application kit is provided at the onset. TIA Services will act as liaison to ensure support throughout.

## **TIA Performance Certified Guaranteed Payment Program**

### **Q: How is proof of coverage for the Performance Certified excess bond provided?**

**A:** The broker will receive an Acord™ 25 Certificate of Liability Insurance that will provide the bond number, effective date and amount of the bond. The broker will also receive a Certificate of Participation from Avalon Risk Management containing similar information as proof of the higher bond amount.

As recommended by the TIA and legal counsel, there will be no listing of shippers or carriers as a certificate holder, additional insured and/or loss payee on the Acord Certificate. The property broker's authority does not require this, nor is it legally or commercially required on the mandatory \$10,000 bond required to be on file with the FMCSA.

A surety bond is not insurance and represents a legal contract between the property broker, surety and FMCSA. The bond demonstrates a surety's willingness to provide a financial guarantee on behalf of the property broker as well as the property broker's ability to qualify for the bond.

### **Q: How are claims handled?**

**A:** TIASurety will adjust and mitigate all claims less than \$10,000. Once the \$10,000 bond is exhausted, claimants will file their claims against the American Service excess coverage directly with Avalon Risk Management. The Performance Certified offers excess coverage up to \$15,000, 40,000 or \$90,000 in the aggregate only after the \$10,000 TIASurety guarantee is exhausted providing total limit of either \$25,000, \$50,000 or \$100,000.

Claims will be handled on a pro-rata basis based on the date received. Claims will not be accepted after the claim cut-off date – 90 days from the date of invoice or delivery, whichever is earlier – and in no event later than 90 days from the date the bond is terminated. The Performance Certified bond is not designed to pay cargo claims or claims for intrastate moves or exempt commodities under Title 19.

For additional information regarding the Performance Certified Excess Bond Program, please contact Nancy O'Liddy at TIA Services or visit the Web sites listed below. Nancy can be reached at 703-299-5711 or at [oliddy@tianet.org](mailto:oliddy@tianet.org).