

## **FREIGHT FORWARDER vs. BROKER**

### **Freight forwarder defined**

FHWA defines freight forwarder as a company that arranges for the transportation of cargo belonging to others, utilizing for-hire carriers to provide the actual truck transportation. The forwarder does assume responsibility for the cargo from origin to destination and usually does take possession of the cargo at some point during the transportation. Forwarders typically assemble and consolidate less-than-truckload (LTL) shipments into truckload shipments at origin and disassemble and deliver LTL shipments at destination. Forwarders must register with FHWA by filing Form OP-1 FF.

### **Pre-licensing requirements for freight forwarders**

The following information is taken from FHWA's application for authority (OP-1 FF): "Freight forwarders that perform transfer, collection and delivery service must have on file evidence of appropriate levels of bodily injury and property damage (BI&PD) (BMC91 or BMC-91X) insurance and environmental restoration coverage." If the freight forwarder will operate vehicles that have gross vehicle weight ratings (GVWR) of 10,000 pounds or more they must have \$750,000 to \$5,000,000 worth of coverage depending on commodities transported; \$300,000 for non-hazardous freight moved only in vehicles weighing under 10,000 pounds.

Freight forwarders may apply for a waiver of liability (BIPD) insurance requirements. To obtain this exemption, they must certify that in their forwarding operations they: (1) will not own or operate any motor vehicles upon the highways in the transportation of property; (2) will not perform transfer, collection, or delivery services; and (3) will not have motor vehicles operated under their direction and control in the performance of transfer collection, or deliver services.

### **Broker defined**

A broker is a company that arranges for the truck transportation of cargo belonging to others, utilizing for-hire carriers to provide the actual truck transportation. However, the broker does not assume responsibility for the cargo and usually does not take possession of the cargo. Brokers must register with FHWA by filing form OP-1. The main issue is the Shipper's Bill of Lading. If the shipment was arranged with a Broker, the actual carrier's name must be written on the Bill of Lading.

### **Pre-licensing requirements for brokers**

A surety bond (BMC-84) or Trust Fund Agreement (BMC-85) in the amount of \$10,000 must be on file at FHWA.

### **BOC-3 - Process agents**

Every motor carrier authorized to operate nationwide must list the name and address of an agent for each state. Freight forwarders and brokers are also required to list process agents in each state in which they have an office and in every state in which they write contracts. A process agent is a representative upon whom court papers may be served in any proceeding brought against a carrier or broker.