

Stop Fraud Before the Freight Moves

A Guide to Carrier Vetting & Risk Control

By David Pasco
VP, Sales, Roanoke Insurance Group

Transportation intermediaries, especially in the United States, face significant and numerous exposures from everyday business activities. Theft and fraud remain major threats to the transportation business. In addition, transportation intermediaries are seeing an escalation in third-party liability claims, including those alleging bodily injury.

Strategic theft, fraud, and fictitious pickup represent the largest exposures in the entire supply chain. Transportation intermediaries can mitigate these risks by adopting the best practices discussed in this report.

Customs brokers, property brokers, freight forwarders, non-vessel operating common carriers (NVOCCs), and even direct shippers all can benefit from improving their business practices and reducing risks in moving domestic freight. In this report, Roanoke Insurance Group has compiled a set of best practices in selecting motor carriers and mitigating fraud in the supply chain.

A Comprehensive Selection Strategy

Thieves are becoming more sophisticated in their attempts to steal money and cargo, and transportation intermediaries must keep pace with evolving threats. Best practices cannot remain static. They require considered updating to match the needs of transportation businesses.

The transportation industry needs to be nimble to address new threats to freight and how best to combat fraud and deception through technology and common sense. The process of selecting motor carriers and co-brokers is an area where a lack of discipline can result in stolen freight.



Choosing a Carrier or Co-Brokering Partner

Best Practices In A Comprehensive Selection Strategy Include:

1 Carrier Or Co-Broker Agreement Drafted By A Qualified Attorney

A carrier contract outlines the terms and conditions for each party. The contract should include provisions for minimum safety ratings, insurance requirements, fitness of equipment, double-brokering restrictions, licensing and permits, payment terms, and more. The contract may be the basis by which all legal aspects of a domestic transportation arrangement are determined. It may also serve as the first and most important line of defense in a truck liability claim. Carrier contracts should be executed by an authorized person from each party and designed by a qualified transportation attorney. Transportation intermediaries routinely limit liability to customers based on common industry terms and conditions. A similar practice should also be considered to protect against exposures created by carriers.

2 Documented Processes

Consistent documentation creates a framework for processes and standards, which are important to well-run businesses. Documentation also provides a foundation for defending claims of negligence and avoiding disputes with customers. Efficiency is vital in the transportation industry, necessitating fluidity in business processes. When a vulnerability is discovered in existing processes, it is critical for the business to take the time to make adjustments. Time spent reducing or eliminating a vulnerability is miniscule compared to the hours required to explain why a shipper's freight disappeared.

3 Third-Party Real-Time Monitoring Of Carrier Information

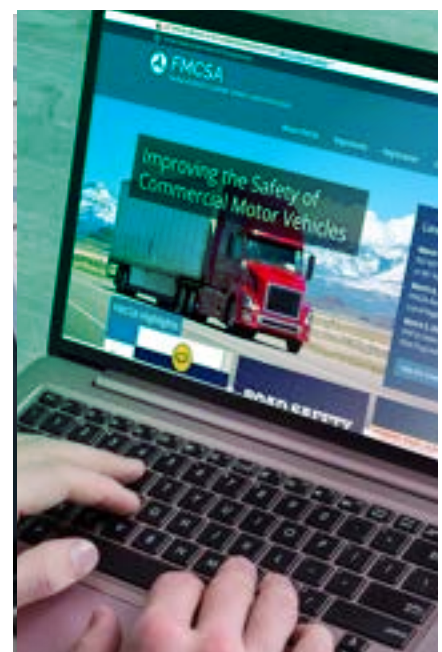
Various 3rd parties provide continuous monitoring of motor carriers' safety ratings and other business data. These resources are valuable in keeping intermediaries informed of changes that prompt further investigation and consideration.

4 Working Knowledge Of Regulatory Data Sources

Transportation intermediaries should know how to access and use the Federal Motor Carrier Safety Administration (FMCSA) website, including the SAFER System (Safety and Fitness Electronic Records).

5 Insurance

Risk transfer solutions are available to cover different situations, but it is imperative that transportation intermediaries know what's in their policies. What coverage will apply in selecting motor carriers and co-brokers? Errors and omissions liability or contingent cargo? What are the intermediary's responsibilities under the insurance policies when contracting with a motor carrier? It's best to find the answers before a claim arises.





Strategic Theft is Increasing Sharply

Case Study

Transportation intermediaries can be deceived into releasing customers' freight through a variety of fraud schemes. One common scenario unfolds as follows: A property broker posts a shipment on a load board and receives a call from an individual posing as the motor carrier. Believing the caller to be legitimate, the broker shares the load details. The impostor then contacts an unsuspecting, legitimate carrier and secures the shipment using falsified or altered documentation. The legitimate carrier picks up the freight and delivers it to a warehouse controlled by—or connected to—the fraud scheme. By the time the legitimate parties recognize the deception, the cargo has already disappeared.

This kind of fraud, which the Federal Bureau of Investigation terms “strategic theft,” has increased sharply, representing more than 25% of all cargo theft incidents, according to the American Transportation Research Institute (ATRI). In calendar year 2023, the most recent ATRI analyzed, motor carriers reported nearly 2,900 cargo theft incidents, with an average loss per incident of \$116,397. Strikingly, 65% of motor carriers and 100% of logistics service providers surveyed had experienced cargo theft, according to ATRI.

Verification and Benchmarking

Recommended steps in verification include:

The Carrier or Co-Broker's Authority and Identity:

- Request a copy of their authority as well as their safety rating & insurance for motor carriers.
- Obtain an executed copy of the carrier or co-broker contract that addresses liability issues transferred to the carrier or co-broker partner, signed by an officer of the company.
- Use the FMCSA website to verify the information from the carrier. Call the phone number provided by the carrier.
- Run a fraud check/DUNS report and beware of multiple carriers having the same address or phone numbers.
- Compare a third-party report with the carrier's submission. The use of a third party is no longer just a good practice; it is mandatory for most underwriters to verify in real time carrier insurance, safety ratings, and the identity of the carrier.

Carrier's Safety Rating:

- Obtain a vehicle inspection and crash report for the carrier, checking for fatalities.
- Review the carrier safety rating at the FMCSA website.
- Develop an internal set of benchmarks, such as "satisfactory," "not rated," "unsatisfactory" and "conditional" carrier ratings.

Insurance Requirements:

- Ensure the motor carrier maintains coverage with an insurer rated A or higher by a recognized rating agency, such as A.M. Best Company.
- Make sure the cargo tendered is not listed as an excluded commodity on the carrier's Motor Truck Cargo policy.
- Verify the information on the FMCSA website.
- Ensure the driver is named on the MTC policy.

Licensing and Insurance

Typical Insurance Limits

- \$100,000 Motor Truck Cargo (minimum) beware of high deductibles, commodity sub-limits, and restrictions
- \$1,000,000 Auto Liability (minimum). Confirm the form that the policy is written on - Scheduled Autos, Any Auto, Hire and Non-owned - and confirm that the load is traveling on a company-owned truck

Examine the Carrier's Certificate of Insurance

- Does it look real? Do all the fonts match?
- Is the insurance verified against the FMCSA website?
- Does the insurance match what is listed on SAFER for the Auto Liability coverage?

Suggested Broker Insurance

- Contingent Cargo
- Errors and Omissions
- Cyber Insurance
- The insurance and vetting process is to make the business a less desirable target to people committing fraud or operating their vehicles irresponsibly.

Conclusion

The future sustainability and success of transportation intermediaries depend heavily on how seriously they regard the threat of fraud and third-party liability claims. Legal liability claims can lead to bankruptcy for intermediaries and their principals, and cargo claims that go unpaid strain broker/shipper relations. The shipper will expect to be compensated for their loss, and if they decide to continue to do business with the intermediary, the shipper will want to know the plan for combating this situation in the future.

A claim may lead to a lawsuit seeking damages for freight, bodily injury, loss of market, or other reasons.

The advice of a transportation attorney to assist in determining proper licensure, drafting carrier contracts, and reviewing shipper contracts is no longer a luxury but a requirement in today's highly competitive marketplace.

These best practices have shown immediate positive impact and, over time, will help intermediaries keep insurance costs affordable, retain customers and carriers, and minimize shareholder exposure.

Let's Strengthen the Risk Strategy

Selecting carriers and mitigating fraud requires more than policies. It requires insight, discipline, and the right risk transfer strategy. Roanoke's transportation risk specialists work alongside brokers, forwarders, and intermediaries to evaluate exposures, align insurance programs, and help protect transportation businesses from costly losses.

Request a risk review with a Roanoke transportation specialist.

[Start a Risk Conversation](#)

Common Missteps

- Failure to follow established vetting policies
- Inadequate upfront screening of motor carriers
- Pressure to secure a carrier leads to bypassing approved policies and procedures
- Due diligence deferred due to workload or time pressure
- Overreliance on third-party verification without independent address validation

Benchmark Ratings

Satisfactory Rating

Develop a tolerance level for the age of a Satisfactory Safety Rating. At what point is a safety rating too old to use? One month? One year?

Not Rated

Ask the carrier why it is not rated and if it requested a compliance review. A new carrier is required by the Department of Transportation to complete a new entrant audit.

Conditional

Does the carrier have a plan to improve its rating to Satisfactory? Has the carrier submitted a request to be re-audited? If so, ask for a copy of the request and their most recent compliance review.

Unsatisfactory

This rating should be a clear signal to find an alternative carrier.

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800-762-6653



infospot@roanokegroup.com



www.roanokegroup.com