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# California Restoration Contractors Motor Truck Cargo Coverage



In California, restoration contractors doing pack outs must adhere to specific state licensing requirements. These requirements apply to those companies who move or are storing clients' belongings. The Bureau of Household Goods and Services (BHGS) oversees these regulations to ensure consumer protection.

If your restoration services include transporting or storing clients' household goods—such as during a "pack-out" for cleaning or repairs, one is required to obtain a Household Mover permit from BHGS. This mandate has been in effect since July 1, 2018, under the Household Movers Act. Operating without this permit can lead to fines up to \$5,000 per violation and potential criminal charges.

## Q. What is a "Household Mover" in California?

**A. "Household Mover" is a business that is paid or hired to use motor vehicles to transport used household goods and personal effects (collectively "household goods") over any public highway, road, or street in California.**

Examples include:

- A business that moves household goods to or from a residence between points in California.
- A business that moves household goods **only** into or out of California.
- A **Restoration Company** that moves household goods from a residence after damage from a catastrophic event, like a flood or other natural disaster or event that causes significant damage to the home like a burst pipe.
- A business that advertises as a Household Mover.

In California, restoration contractors performing pack outs—where clients' belongings are packed, transported, and stored—are required to carry **Motor Truck Cargo Insurance**. This insurance *supposedly* safeguards against potential losses or damage to clients' property during transit. Motor Truck Cargo Insurance is a specialized liability coverage designed to protect the goods being transported by common or contract motor carriers. For restoration contractors, this supposedly means coverage for clients' items that are under your care during pack outs. California makes you purchase Motor Truck Cargo with a minimum limit of \$20,000. Cargo coverage is meant for common carriers like moving companies.

## California Regulatory Requirements

In California, contractors transporting household goods must obtain a Household Mover permit from the Bureau of Household Goods and Services (BHGS). This permit ensures compliance with state regulations and mandates proof of financial responsibility, which includes appropriate insurance coverage. Operating without this permit can result in fines and other penalties. Additionally, the California Department of Motor Vehicles (DMV) requires commercial vehicle operators to provide proof of financial responsibility to obtain a Motor Carrier Permit. This includes maintaining adequate insurance coverage for the transportation of goods.

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## Coverage Limits and Considerations

While specific coverage limits can vary based on the nature of the goods transported and other factors, it's crucial to ensure that your policy covers the full value of the clients' property you handle. Some Motor Truck Cargo policies may have exclusions or limitations, such as not covering certain high-value items or specific scenarios like unattended vehicles.

## Motor Truck Cargo is not the same as Bailees

Bailees provides coverage for the care, custody, and control of client good in your possession during transit and at the restoration contractor premises. This is the proper coverage restorers really need. Most of the carriers writing packages for restorers will include Bailees in their package General Liability, Contractor Pollution, and Professional Liability package policy. California makes restorers purchase Motor Truck Cargo when your typical Motor Truck Policy would not trigger or respond to a claim.

Please see a typical Motor Truck Cargo Insuring Agreement from a sample policy below:

### A. Coverage

We will pay those sums that you become legally obligated to pay for loss to Covered Property caused by a Covered Cause of Loss, while in or on a "Covered Vehicle."

**1. Covered Property** Covered Property, as used in this Coverage Form, means "household goods" that you have accepted for transportation as a common or contract motor carrier under your tariff and bill of lading or shipping receipt issued by you. We only cover property while in your custody as the carrier until the Covered Property is delivered to its destination

Please also note there is no way for this policy above to trigger and respond to a claim. **Under A. Coverage 1. Covered property.** These insureds do not operate as common or contract motor carriers under a tariff and bill of lading or shipping receipt issued by you.

Our restoration contractor insureds are not common or contract motor carriers operating under a bill of lading, but contractors engaged in the restoration of damaged contents from property loss jobs. Please note 99% of these contractors work for insurance companies and they all do damage repair work. Please also note anyone you would be writing cargo for in CA will almost always have bailees before you even write them. As discussed, the real exposure for these guys in bailees and not cargo. CA in their infinite wisdom wants these guys to carry the \$20k minimum cover required of normal garden variety household moving companies. Please also note \$20,000 of coverage is almost nothing.

Please also note above where coverage for cargo exists only until the Covered Property is delivered to its destination. The destination is the restorer's facilities. There is no coverage once it gets there under this type of policy form.

## The Solution

We have established a cost-effective program with a carrier who will do the Motor Truck Cargo at a very low minimum premium for this class of business. Our program carrier understands they are writing a policy so a California restorer can comply with the law. They also know as we do that Cargo policies do not do what restorers need and are not the same thing as a bailees policy.

Restorers should make sure they have enough bailees coverage for property in transit and while at their facilities being restored and stored. At the end of the day, this type of policy does not do what it needs to, but the restorer must buy a minimum of a \$20,000 limit to avoid civil and criminal penalties.

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