



HALO COVERAGE CASE STUDY: FIRST-DOLLAR LOSS PROTECTION FOR TRUCKING LIABILITY

831(b) Plan Producing Company Profile

INDUSTRY	Transportation
COMPANY	Desert Freight Haulers



BACKSTORY

Desert Freight Haulers, a regional trucking company operating in the American Southwest, specializes in transporting goods across Arizona, New Mexico, Texas, and California. Given the nature of their business, the company carries a robust auto liability policy, but their policy structure exposes them to significant financial risk per occurrence:

- \$500,000 first-dollar loss per accident (before primary coverage applies)
- No aggregate maximum on auto liability (unlimited total exposure)

To mitigate financial strain from major accidents, Desert Freight Haulers implemented Halo Coverage as an 831(b) plan, funding up to \$1.5 million in first-dollar losses (equivalent to three occurrences per year). This structure allowed them to self-fund initial losses while maintaining long-term financial stability.

RISK DESCRIPTION

Due to the nature of commercial trucking, **even a single serious accident can result in high costs**, particularly when bodily injuries are involved:

- **Each accident requires the company to pay the first \$500,000 out of pocket** before their liability policy responds.
- **Multiple accidents in a short period could deplete cash reserves** and strain operations.
- **Medical costs and legal expenses in major accidents can escalate quickly**, creating substantial financial uncertainty.

Halo Coverage was designed to absorb these first-dollar losses, ensuring Desert Freight Haulers could handle claims efficiently without disrupting cash flow or operational stability.

INCIDENT

In March 2024, a **Desert Freight Haulers truck was involved in a major highway collision in New Mexico**, resulting in:

- **Severe injuries to the other driver**, requiring hospitalization and extended rehabilitation.
- **Significant medical expenses and legal claims** filed against the company.
- **Total liability exposure exceeding \$1.8 million, with Desert Freight Haulers responsible for the first \$500,000 before their auto liability policy responded.**

Without proper funding, this **first-dollar loss requirement** could have created a **serious financial burden** for the company.

RESOLUTION

Desert Freight Haulers filed a claim under their Halo Coverage policy, ensuring they could meet their financial obligations without disrupting operations.

1. **Claim Filed:** The company submitted documentation of the accident, medical expenses, and legal costs.
2. **Claim Processed:** Halo Coverage verified the accident met coverage criteria and approved the claim.
3. **Claim Paid: \$500,000 was paid directly from the Halo Coverage reserves**, covering the entire **first-dollar loss requirement** under the trucking company's primary auto liability policy.

Claim Breakdown:

- **Total Claim Cost: \$1.8 million**
- **First-Dollar Loss Responsibility: \$500,000**
- **Halo Coverage Payout: \$500,000 (full first-dollar loss amount covered)**
- **Primary Auto Liability Insurance Paid: \$1.3 million**
- **Out-of-Pocket Cost to Desert Freight Haulers: \$0**

With Halo Coverage stepping in, Desert Freight Haulers was able to:

- ✓ **Avoid a direct financial hit to their balance sheet**
- ✓ **Continue normal trucking operations without disruptions**
- ✓ **Protect cash reserves for ongoing fuel, payroll, and maintenance costs**
- ✓ **Maintain financial flexibility for future claims (with two remaining funded occurrences)**



KEY TAKEAWAYS

For trucking companies, **first-dollar loss requirements on auto liability policies can create significant financial exposure**—even a single serious accident can **strain cash flow and threaten operational stability**.

By implementing **Halo Coverage under an 831(b) plan**, Desert Freight Haulers was able to **fully fund its first \$500,000 loss**, ensuring **zero out-of-pocket costs** for the company while maintaining financial flexibility for future incidents.

For businesses in **high-risk industries like commercial trucking**, **Halo Coverage provides a critical safety net, allowing companies to weather large claims without financial disruption**.

