



Frequently Asked Questions about Cargo Insurance

Doesn't the carrier have to cover my loss?

A carrier does not provide insurance for his cargo. They do have liability insurance to cover the company should you make a claim against them.

To make a claim you must:

- 1) Prove the carrier is at fault - there may be more than one carrier involved in the transport of your goods
- 2) Understand that a carrier has many exemptions from liability - "Acts of God", riots, strikes, etc.
- 3) Realize there is a maximum amount you can claim - it is limited by law
- 4) Act quickly as there are time limits for making a claim

Since I only ship F.O.B., do I really need insurance?

F.O.B. presents unique challenges. At times it is difficult to determine at what point the insurance actually goes into effect. Also, portions of the travel may not be covered - you need to look at the specifics of the policy. Keep in mind that you are relying on a foreign insurance policy if you need to make a claim. How strong is the currency of the country where the policy is written? What currency restrictions does that country have in place? These can severely hamper your claim and collection.

I only import C.I.F. Why would I need added insurance?

You might want to ask these important questions. What is the level of insurance provided? Does it cover partial loss or total loss only? Can you, as the importer, collect payment for a claim outside of the country of origin? How much is this insurance costing you? Many times that price is hidden in the total charges you are given, and you may be able to get a better price yourself.

I already have my own policy. Isn't that enough?

Ask your insurer what conditions and exclusions your policy has. What are the deductibles if you need to make a claim? What conditions are covered - all-risk, war clauses, riots, strikes, civil disobedience? There may be a more cost effective solution available to you.

I've shipped hundreds of times and never had a loss. Why would I want to insure?

That is a wonderful position to be in, but the more you ship the more the law of averages moves towards you. Current risk management estimates calculate that nearly 30% of losses are unavoidable. Having the right insurance on your cargo manages that risk in the most cost effective way. If you ship by ocean then you also need to consider that you can bear the cost of someone else's loss through "General Average", where all parties transporting by ship bear the loss of one or more parties whose goods are jettisoned to save the ship.

What are the chances that anything will happen to my goods?

As mentioned above, current estimates say that nearly 30% of losses are unavoidable. While your shipments are safe the majority of times, you may want to consider what even one loss will cost you. Add up all the items - the time it takes to make a liability claim, prove that the carrier is responsible, replace the loss and get the product to your client, loss of business or market due to delays, loss of good will, legal fees and so on - and compare that to the cost of an all-risk cargo insurance policy that can be put in place before your cargo ever leaves. Ask your freight provider for a quote.