

Risk Management Insights

Issue 2

A Closer Look at Errors and Omissions Insurance



Through a periodic review of actual claims that have occurred, we hope to illustrate how valuable an E&O Policy is in managing your business risks. In each of the following cases, the settlement and the legal fees were the amounts paid by the insurance company. The insured paid their deductible on the settlement amount if any.

Insured Freight Forwarder

Damages Sought: \$318,000

Claim Scenario: Delay resulting in liquidated damages

A freight forwarder arranged transportation for an energy rig shipped from the U.S. to Bahrain via ocean. The shipper entered into a contract with their customer requiring the shipment to be delivered within a specific timeframe. The shipper chose the cheapest mode of transit. The cargo ended up being delayed for several reasons none of which were at fault or control of the forwarder. The shipper filed suit against the forwarder claiming they should have known the cargo would not arrive timely.

Outcome Summary

Evidence was shown at mediation that the shipper was given shipping options which would include getting the cargo to its final destination timely. However, the shipper chose the highest risk and least expensive mode of transit. In addition, the shipper never provided the freight forwarder with the contract they entered into with their customer. Counsel was appointed to defend the freight forwarder proving that this was not the fault of the forwarder. The case was settled for \$25,000 which was intended to cover future legal fees and made for nuisance value only.

Settlement and Payments

\$25,000 (Settlement) + \$70,000 (Legal Fees) = \$95,000

Insurance Company Payment = \$85,000

Freight Forwarder deductible = \$10,000



Because an E&O policy was in place, the freight forwarders financial contribution was substantially less than the final total claim amount.

Damages Sought: \$337,025

Claim Scenario:

Incorrect Temperature Setting & Insufficient Policy Limit

Suit was filed alleging the freight forwarder provided the incorrect temperature settings to the carrier resulting in \$337,025 worth of damages to the cargo. The cargo was temperature sensitive plant material that should have been shipped at -2.2F, but instead was shipped at +2.2F.

Outcome Summary

Mediation took place in an effort to resolve the matter prior to going to trial. There weren't many, if any, defenses available to the freight forwarder who ultimately agreed to settle for \$275,000. Counsel for the Plaintiff agreed to reduce his demand based on future anticipated legal fees combined with outstanding monies owed in various charges by the Plaintiff to the freight forwarder.

Settlement and Payments

Settlement = \$275,000

Insurance Company Payment (including Legal Fees) = \$100,00

Freight Forwarder contribution = \$175,000



Although the freight forwarder had E&O insurance in place, their \$100,000 policy limit was insufficient to cover the majority of this claim.

Contact Us

If you are already working with Roanoke Trade, we thank you and ask you to please contact us with your feedback and suggestions as we strive to continuously adapt to your changing needs. If you are not working with Roanoke Trade, contact us today to arrange a comprehensive evaluation of your insurance and surety needs.

Additional Specialty Insurance and Surety Products Available For 3PLs, Transportation Intermediaries and Customs Specialists:

- Cargo Insurance
- Cargo Legal Liability
- Import Bonds
- Transportation Related Bonds
- ATA Carnets
- Property and Casualty

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For more information on Errors and Omissions coverage, or to receive a proposal, contact us at 1-800-ROANOKE, ext. 1066 or infospot@roanokegroup.com

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