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Insurance for Trade and Transportation



Intangible Benefits of Cargo Insurance

A Vital Risk Management Tool

Cargo insurance is a vital risk management tool for cargo owners and in some cases affords a degree of protection for transportation intermediaries as well. In addition to the potential profits associated with providing their clients cargo insurance, transportation intermediaries should consider the intangible risk management benefits they can gain.

A Perceived Professional Responsibility

Transportation intermediaries are widely regarded as experts in their field and they are relied upon by the cargo owner for their sound advice, particularly as it relates to risk of loss for cargo in transit. Some cargo owners are unaware of exposures such as General Average, carriers' limitation of liability or how terms of sale can impact their ability to collect on a claim. Failure to advise the cargo owner of these exposures could be interpreted as a breach of the intermediary's professional responsibility and could lead to a professional liability claim. For this reason, it is strongly recommended that shipper's interest cargo insurance is offered to every client and a record of their response is maintained in the client's file for future reference.

Mitigating the Risk of Adverse Claims Negotiations

Providing access to cargo insurance may also reduce the frequency of cargo legal liability claims against the intermediary. Many forwarders & brokers conduct related operations as Non-Vessel Operating Common Carriers (NVOCCs) or indirect air carriers (IACs) and cargo is often moved under their house bills of lading. In these situations, the NVOCCs or IACs typically have a limited responsibility for cargo loss or damage while in their care, custody or control. For example, if a cargo owner is uninsured and experiences a loss in transit, their only recourse is a claim against the carrier (NVOCCs or IACs). However, if a cargo owner is insured, they will instead file a claim against their cargo insurer, consequently relieving the intermediary of potentially losing a client over an adverse claims negotiation.

Mitigating the Risks of Lost Receivables

Cargo insurance can also play an unintended role in protecting assets for the intermediary; specifically when an intermediary extends credit terms to a client and they assume the role of an unsecured creditor. Even a credit-worthy cargo owner can be adversely affected by a large, uninsured loss which could compromise their ability to settle their debts. In a worst-case scenario, an uninsured loss could force a cargo owner into bankruptcy which would leave the intermediary little or no options for collection. This exposure is further exacerbated when the intermediary has "fronted" freight charges to underlying carriers on the shipper's behalf. In this scenario, providing cargo insurance can reduce the risks of unrecovered debts resulting from uninsured cargo loss.

Tangible Profits and Much More

Intermediaries are strongly encouraged to provide their clients cargo insurance not only as a potential revenue stream, but also as a formidable risk management tool. A formal practice to address cargo insurance should be followed with each client prior to the routing of any freight. By following this practice the intermediary can benefit from tangible profits acquired through cargo insurance sales and the less tangible benefits of respite from liability claims and lost receivables.

About the Author:

Jason Odgers joined Roanoke Trade as a Senior Account Executive in 2008. His responsibilities include business development and account management in the growing southeast market, focusing on the Carolinas, Georgia and Virginia. Jason graduated with honors from the College of Charleston with a degree in Political Science and minors in both Intermodal Transportation and International Studies, with a concentration in International Law. Jason's more than 12 year tenure at OOCL (USA) Inc. as an Account Manager and Operations Supervisor, coupled with his experience as an international transportation analyst for a Fortune 200 company has provided him with extensive experience and a cross functional perspective which makes him a perfect fit for Roanoke and his clients. Jason is a regular speaker at transportation and logistics events throughout the region, and is a regular contributor to various industry publications. Jason's efforts are supported by a superior service team located in Charleston, SC and the extensive resources of the entire Roanoke organization around the globe.

About Roanoke Trade:

Roanoke Trade is a division of Roanoke Insurance Group Inc., specializing in surety and insurance solutions for the trade and transportation industry. Our cumulative knowledge base and experience level are unparalleled in this arena, having served this niche client base since 1935. We are a leading provider of customs bonds, marine cargo and transportation-related liability insurance, transportation-related business insurance, transportation-related bonds and ATA Carnets for the industry.

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