



Cargo Insurance and the Domestic Shipper

► Cargo insurance is not just for international shipments

Cargo insurance is a critical staple for reducing the risks of financial loss when buying, selling or distributing goods both domestically and internationally. No matter how robust a shipper's loss prevention strategy may be, it is reported that 30% of all freight damage in transit is unavoidable and most losses occur on the way to or from the ports. Furthermore, the FBI estimates that up to \$30 billion in cargo theft occurs every year, and the majority of cargo theft take place when goods are on the truck or in storage.

Avoid the risk of uncovered losses

Shippers are often unaware that a freight forwarder hiring a trucker on their behalf has no liability for damage to cargo. Carriers do have liability for damage to cargo, and as such they carry motor truck cargo or cargo legal liability coverage. However, the certificate of insurance providing evidence of insurance coverage does not govern the rules of transit. The tariff or bill of lading governs the rules of transit and spells out the carrier liability for cargo. Law or tariff restrictions limit the liability of carriers and the amount recoverable is usually much less than the actual claim amount (see below).

Carriers Limits of Liability

Domestic Carriers Limits of Liability	\$0.50/lb customary
Standard Motor Truck Cargo Limits	\$100,000

► Declared value coverage

In order to eliminate the gap between the carrier's limit of liability and the value of the goods in transit, some shippers will declare value with the carrier. Declared value coverage is not insurance for shippers. One of the most significant obstacles to being paid on a claim under declared value is that the shipper must prove that the carrier's negligence directly resulted in the loss or damage to cargo.

It is important to note that carriers have a number of established defenses when it comes to cargo damage. Carriers are not responsible for losses that are unforeseen or beyond their control. Carriers are not held to be liable for:

- Acts outside their control
- Fire (unless caused by the actual fault or knowledge of carrier)
- Acts of God (heavy weather, earthquake, lightning, etc.)
- Acts of War
- Acts of Public Enemies
- Strikes, Riots & Civil Commotions
- Insufficient packing, insufficient or inadequate marks

► Cargo insurance

When purchased, cargo insurance attaches to the cargo while in transit with coverage being extended door to door. Cargo insurance pays regardless of whether or not the loss or damage was due to the carrier's negligence. Furthermore, cargo insurance provides protection for the full commercial invoice value plus freight and other costs associated with the cargo. The coverage attaches per the incoterms of the shipment or the agreed upon sales contract.

Perhaps most valuable to the shipper, the cargo policy is a first party insurance coverage. This means that in the event of a covered loss, the insurance company will pay out the claim to the shipper and then, if necessary, subrogate against the carrier. The shipper does not need to retain an attorney to sue for damages or prove negligence.

The chart below offers a quick look at the difference between declared value and cargo insurance.

Declared value vs. cargo insurance at-a-glance

	Cargo Insurance	Declared Value
Provides door-to-door protection	Yes	No
Pays whether or not transportation provider's negligence is proven to have caused the loss	Yes	No
Pays for losses occurring outside control of the carrier	Yes	No
Pays shipper for the full invoice value of cargo lost or damaged plus freight and other associated costs	Yes	No
Pays sue and labor costs for efforts taken to minimize covered losses should a loss incident occur	Yes	No

Protect Your Financial Interests

By purchasing cargo insurance, you secure the broadest possible coverage for your goods, protect your financial interests, and avoid unnecessary inconvenience. Talk to your insurance provider about insuring all your shipments as well as goods in storage to ensure that you will be properly compensated for unavoidable losses.