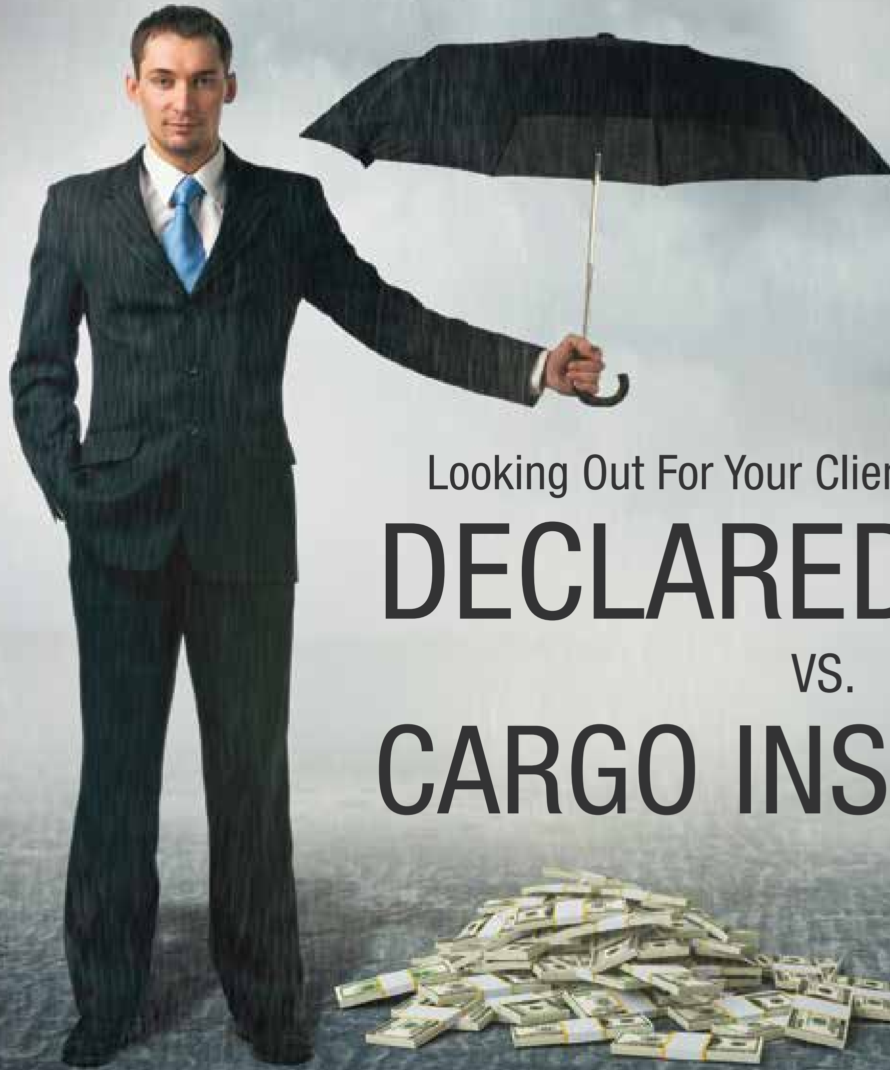

Looking Out For Your Clients' Best Interests:

DECLARED VALUE VS. CARGO INSURANCE

By: Rick Bridges, Vice President, Roanoke Trade

A common misconception often held by shippers is that declared value (DV) is the same as cargo insurance coverage. These terms are often used interchangeably and they are in fact, two very different entities. It is in your clients' best interests to convey this so they know exactly how the two coverages differ and what they can expect in the event of a claim.

Declared value allows the shipper to declare the value of the shipment in order to increase the financial legal liability of the carrier above their standard limitations. For example, a shipper may wish to declare a value of $200,000 for a shipment of vending machines as they were not satisfied with the carrier's limit of $100,000 as stated on their bill of lading. The shipper will pay additional charges to the carrier for this increased liability amount. However, keep in mind that exclusions, limitations and other terms from the bill of lading still apply and most importantly the shipper needs to evidence that the loss was caused by the carrier. Once they have paid the additional cost a shipper may believe that if any type of loss or damage occurs while the goods are in the care of the carrier, they will be able to recover the full amount of their loss. However, this is not always the case.

Unlike cargo insurance, for a shipper to be paid on a claim under declared value coverage, the shipper must prove that the carrier is legally liable for damages. The shipment is still subject to defenses and limitations on the bill of lading and/or their tariff. Additionally, carriers have a number of established defenses when it comes to cargo damage. These include, acts outside their control, acts of God and insufficient packing among others. Consider the following declared value shipment:

In route to the airport, a trucker was held up at gunpoint and the cargo was stolen. The driver took no additional risks or alterations and was following the regular route.

Recovery amount: *None*

Reason for denial: *No automatic right of recovery against the carrier due to the lack of contributory negligence on the part of the carrier.*

As a better alternative, shippers should consider purchasing cargo insurance through your open cargo policy. Cargo insurance directly protects the goods on behalf of the shipper against physical loss or damage as per the policy terms. When cargo insurance is in place for a shipment, House Waybill (HWB) limitations or limitations of other bills of lading or contracts, do not restrict payment to the assured by the insurance company. In other words, the shipper does not have to prove that the carrier is legally liable. The shipper will be reimbursed for their full-insured value in the event of a covered claim that results in a 100 percent loss, and they will be reimbursed proportionally for partial losses. Declared value does have its place however, and it may work well on commodities that cannot be insured all-risk. Used goods and commodities that may not be insurable under your all-risk policy come to mind.

Remember declared value coverage does not increase a carrier's scope of liability but instead allows for the shipper to pursue a higher recovery. Purchasing cargo insurance instead is a better alternative for shippers seeking to eliminate gaps in coverage and protect their financial interests. There are many shippers out there who don't fully understand the differences between carriers' liability, declared value, and all-risk cargo insurance. Helping them navigate the nuances of these terms can further differentiate your services vs your competitors and remind them that you are looking out for their best interests. ✈

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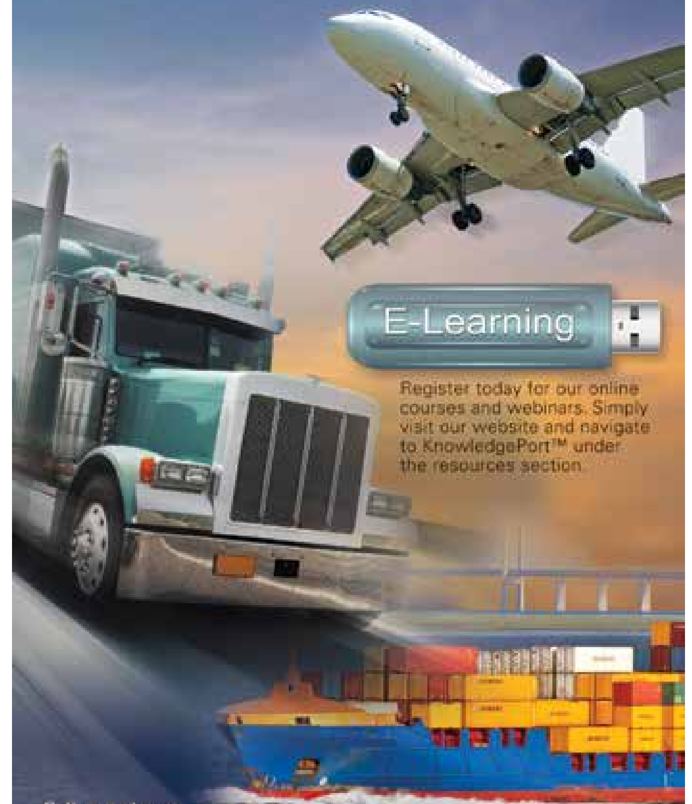

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