

CARGO INSURANCE FACTS

4 Common Misconceptions Debunked

INTRODUCTION

There are some common misconceptions or reasons many believe that insurance is not necessary. Unfortunately, these misconceptions typically result in unrecoverable losses.

Misconception #1:

My cargo is covered under the carrier's insurance policy and there is no need for any additional insurance coverage.

Facts:

- ALL carriers limit their liability, even if the loss is their fault. In most instances the limited liability amounts will not cover the value of the customer's shipment.
 - » Shipped via ocean, the carrier will only pay \$500 per package or customary freight unit.
 - » Shipped via air, the carrier will only pay \$20.00 per kilo (actual weight).
 - » Shipped domestic, the carrier will only pay \$0.50 per pound (actual weight) or \$50 per shipment. Note: Not all domestic carriers provide limited liability coverage; they are not required to do so by law.
- None of the carriers will pay for a loss under their limited liability coverage until the customer can prove the following:
 - » What the loss is (i.e. the cause of loss and the dollar amount). In some cases the customer would be required to hire a surveyor (at their own expense) to make this determination.
 - » The loss occurred while the goods were in the carrier's possession.
 - » The loss was a direct result of the carrier's negligence.
- None of the carriers will pay for a loss, unless they are notified within the strict timeframes outlined below:

Ocean	
Visible loss or damage	Immediately
Non-visible, hidden or concealed damage	3 days from the date of delivery
Limitation of action	Legal actions must be filed within 1 year from the date of delivery
Air	
Damage	7 days (from date of delivery)
Hidden/Concealed damage	14 days (from date of delivery)
Non-Delivery	120 days (from date the air waybill is issued)
Limitation of action	Legal actions must be filed within 2 years from the date of delivery

Misconception #2:

If there is a loss or damage, and the carrier is at fault, the carrier will not assess the transportation charges or expect to be paid the full amount.

Fact:

All freight charges are fully earned (or due) once cargo is received for transit. Even when carriers damage or lose your cargo, they are entitled to collect ALL freight charges.

Misconception #3:

The buyer or supplier (CIF Terms) is providing the insurance coverage.

Facts:

- Their coverage may cover certain risks and leave you wide open to others; they are only obligated to provide minimal coverage without regard to your needs or complete coverage.
- If there were a claim, you would be required to file and coordinate the claim with an overseas insurance agency and most likely will not have reliable representation in the U.S. It can be particularly frustrating to communicate across time zones.

Misconception #4:

Our company possesses a blanket policy; therefore, everything will be covered in the event of a loss.

Fact:

While this may certainly be the case, shippers are encouraged to verify the type of coverage, even when it's within their own company. There may be limitations which will prevent ALL losses being covered, as an example many policies do not pay for the additional freight to re-ship cargo when necessary.

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