

# Why Insure?

Shipments in transit face many risks. Goods could be damaged by storms or fires, stolen, involved in a collision, or mishandled. To safeguard against these financial losses, consider obtaining Shipper's Interest Cargo Insurance.

This insurance not only covers losses from damage or theft but also protects against General Average. It includes the costs to minimize a loss (sue and labor), and pays for damage assessments (surveys). Importantly, carriers have limited liability and legal defenses that can exempt them from responsibility altogether. Cargo Insurance covers claims without the need to prove fault—why take the risk without it?

## Understanding General Average

General Average is a principle included in most ocean bills of lading. It is applied when a voluntary sacrifice is made to save the vessel, cargo, or crew from a shared danger, such as throwing cargo overboard to put out a fire. If the action is successful, all parties with cargo on board share the financial burden according to the value of their cargo. Without insurance, your cargo won't be released until you provide a guarantee—cash, a bank guarantee, or a bond. If insured, your insurance company will manage all necessary arrangements for you.

## Carrier Liability Explained

Carriers are only responsible for paying claims when their actions directly cause or contribute to the loss. Even then, their financial responsibility is capped depending on the transportation mode, limiting the compensation available.

### Ocean Transportation

Under the Carriage of Goods by Sea Act (COGSA), carrier liability for ocean-shipped goods to or from the United States is clearly defined. Compensation is limited to \$500 per customary freight unit, but this only applies if the carrier is found to be negligent. The definition of a "freight unit" varies and could be anything from a single container to one pallet. This regulation highlights the importance of understanding carrier liabilities and protections for your shipped goods.

### International Air

When shipping goods internationally by air, carriers operate under two main liability conventions. The Warsaw Convention originally set the liability limit at \$9.07 per pound or \$20 per kilogram. However, in the United States, the Montreal Convention has updated this figure to 22 Special Drawing Rights (SDRs), approximately \$30 per kilogram. These conventions are crucial in defining the compensation limits for losses or damages during air transit.

### Domestic Shipping

For domestic shipments within the United States, liability limits vary across transportation modes. Many air carriers, intrastate road carriers, and warehouse operators cap their liability at \$0.50 per pound or \$50 per shipment, according to their bill of lading or warehouse receipt. On the other hand, interstate truckers are regulated by the Carmack Amendment, which generally requires compensation based on the full value of the shipment. However, this amendment allows carriers to limit their liability through bills of lading, tariffs, or contracts. It's important to note that some carriers may have insufficient or no liability insurance, potentially leaving them unable to cover losses out of pocket.

## Addressing Cargo Theft

Cargo theft is a significant issue in the United States, with annual losses estimated between \$15 and \$35 billion. A startling 80% of these thefts are believed to involve employee collusion. Often, drivers are bribed to leave their trucks unattended at predetermined locations and times.

### Theft Timeline Statistics

- **Within 24 hours of theft:** The stolen goods are typically already moved to an alternative location, with the thieves no longer in possession of the merchandise.
- **Within 48 hours of theft:** The cargo is usually divided into approximately five smaller shipments and distributed.
- **Within 72 hours of theft:** The goods are likely already being marketed and sold on various platforms.

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## Cargo Insurance Coverage Options

We offer comprehensive insurance plans for cargo in transit, catering to different needs and risks. Our options include “All-Risk” coverage and more specific alternatives like Free of Particular Average (FPA) and With Average (WA) coverage.



**“All-Risk” Coverage:** This is the most inclusive form of insurance we offer. It covers almost all sources of loss or damage to goods during transit, without the need to prove fault. Remember, “All-Risk” essentially means “everything is covered, except what is excluded.” Common exclusions include improper packing, inherent vice, or customs rejections.



**Free of Particular Average (FPA):** This option provides narrower protection, ideal for shipping commodities like used goods, waste materials, and scrap metal. FPA coverage is best remembered as “only named perils are covered.” Typical perils under FPA include sinking, collision, General Average, fire, and washing overboard.



**With Average (WA):** WA coverage builds on FPA by also covering heavy weather conditions, enhancing protection. Many shippers opt to add coverage for theft, pilferage, and non-delivery under both WA and FPA policies.

## Understanding the Difference Between Declaring Value and Cargo Insurance

Declaring the value of your shipment to a carrier is not equivalent to having Cargo Insurance. When a claim is made against a carrier, the shipper must demonstrate that the damage occurred while the cargo was under the carrier’s care, custody, or control. Moreover, carriers have several defenses at their disposal to prove they were not liable, often making it challenging to secure compensation.

In contrast, Cargo Insurance offers protection that doesn’t require proving the carrier’s liability. This aspect is crucial, especially in cases where losses result from uncontrollable natural events, commonly referred to as “Acts of God.”

Description of Loss	Declared Value for Carriage	Cargo Insurance
While a trucker was en route, the truck was struck by lightning. The lightning caused a fire and resulted in a total loss to the cargo.	Even if a value is declared, there would be no automatic right or recovery because the trucker did not act negligently. The loss was considered and “Act of God.”	This type of claim would be paid under “All-Risk” Cargo Insurance coverage.
Several days after an ocean vessel left the port it ran into heavy weather. A large wave hit the vessel and containers were washed overboard.	“Heavy Weather” is excluded under COGSA. The ocean carrier would deny liability and no payment would be forthcoming.	This type of claim would be covered by “All-Risk” Cargo Insurance as well as WA coverage.