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## **HOT TOPICS Archives**

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### **HOW TO PROTECT YOUR ASSETS**

Today, international trade is quickly becoming a viable option to most any organization interested in broadening its market share. Within the last 20 years, boundaries that existed to domestic companies have been significantly reduced by the advent of containerization, express airfreight options, computerization, and the easing or elimination of political and economic trade barriers. One fact that has remained constant during this time is the potential risk that the goods you ship may incur damage or loss while in transit.

#### **Never Assume**

One of the biggest oversights in shipping internationally and domestically is assuming the transporter of the goods is fully liable for physical loss or damage to the goods. The second largest oversight is assuming an 'All-Risk' cargo policy will adequately cover ALL of your transit risks. Many shippers have grown to believe that all cargo policies are the same and the only feature that differentiates one from the next is price. Often times this is discovered the hard way when a cargo policy that has been loss free for years is called upon to pay a valid claim, but much to the shippers demise, the policy does not pay out. The fact is right now, hundreds, if not thousands of companies may sustain a cargo loss, which will put them out of business if the insurance company does not pay.

#### **Where to Get Help**

Cargo insurance is one of the last lines of commercial insurance that does not share a common policy form. The advantage is that a policy can be customized to suit your organization's exact needs, however the disadvantage is that some 'off-the-shelf' policies can protect the insurance company more than the shipper. To take the risks out of 'All-Risk', the help of a specialist will make the difference between a paid claim and one that may put your company out of business. Whether an experienced cargo insurance broker, freight forwarder, or Customs broker, the specialist should take the time to review all aspects of your terms of sale and shipping requirements on a regular basis.

#### **A Few Examples**

Unless your policy states that a specific coverage is provided, chances are you do not have that coverage. A few clauses that should be added to a standard policy can include:

- **Pairs and Sets.** Without this clause, claims for goods consisting of a matched pair or set, will not be paid in full.
- **Concealed Damage.** Believe it or not unless this clause is added, claims for damage or loss that is not apparent in outer packaging may not be paid.

- Unexplained shortages. A must when shipping retail goods, this clause will cover shortages of goods from sealed containers.
- Customs Damage. Should customs inspect your goods and cause damage or loss, this clause must be added to cover this exposure.
- Contingency Insurance. This clause will cover shipments if your company was not obligated to provide insurance and you cannot collect from the other party's insurance policy.

Remember, without fully understanding the transit exposures of your company, an 'All Risk' cargo policy may be putting your company at risk.

Tips to remember:

- ✓ Never assume shipments are covered.
- ✓ Always be aware of policy limits, terms, and conditions.
- ✓ Read your policy. Yes all of it!
- ✓ Understand your responsibilities in time of claim.
- ✓ Use only experienced insurance brokers, freight forwarders, and Customs Brokers.

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