

# An essential guide to *Cargo Insurance*

# INSURED

## What you need to know

The transportation of goods can be a long and time consuming process, not only in terms of distances travelled but also in terms of the process the goods has to endure while getting from A to B. As with any industry or walk of life, accidents can always happen no matter how careful you are. As the famous phrase goes the best form of offense is a strong defence, so why worry about your cargo when you can easily insure it?

## THE RISKS IN THE TRANSPORTATION OF GOODS

### 1 *Damages*

The first and most obvious risk involved in transporting is the potential for damage to the goods. Obviously there is a certain degree of professionalism which can be expected from the carrier you are using but even in the best companies damages can happen, they're not intentional but they do happen.



### 2 *Loss or Theft*

In all industries and all walks of life, theft is a concern for everyone. Knowing someone has taken something that is yours can be soul destroying and in some cases even business destroying. Transportation is no different; having the correct cargo insurance can be the difference between slight disruption and total destruction.

### 3 *Delays*

Time is money, so how much are your delays costing you? The promise of a next day delivery may be sweet to hear but in the event of a late delivery you could leave you with a sour taste in your mouth and a dent in your wallet.

As far as delays are concerned, you cannot insure against them. If a shipment arrives late and causes a line stoppage, the Carrier has no liability to you for these costs. Invariably a commercial gesture is made by the Carrier but there is no obligation on their behalf to do so. If it is a European shipment, under CMR conditions, the maximum you might be able to claim are the freight costs. If you can prove wilful neglect on their behalf and are prepared for a long legal battle, there might be a chance to claim the full amount. This is called consequential loss and shipments by road, sea and air if delivered late are exempt from these charges.



## Want to find out more about insurance?

Contact Espace on **01543 418700** or email [ops@espaceglobalfreight.com](mailto:ops@espaceglobalfreight.com)



## INSURING YOUR GOODS IN TRANSIT

Additional insurance can be put in place to make the difference up between the full value of your goods and the amount you would receive accordingly to the Conditions under which the goods travelled.

Goods travelling to or from Europe are carried under CMR conditions and any liability for loss or damage is based on the weight of the goods lost or damaged.

Liability for loss/damage is calculated according to **SDR rate** (Standard Drawing Rate)

- For European shipments, it is 8.33 SDRs per kilo of cargo lost or damaged and for air and sea freight it is 2 SDRs.
- 1 SDR is equal to approximately £0.97
- This is a fluctuating rate.
- So this would be a approximate liability of £8 per kilo of freight

### Typical shortfall example using SDR (Standard Drawing Rate)

#### ROAD

1 pallet, weighing 200 kilos is lost or damaged in transit to France  
Goods valued at £5000  
200 kilos x £8= £1600 (Carriers maximum liability under CMR)

Shortfall **£3400**

#### AIR & SEA

If that pallet was being sent by air or sea, the Carriers liability would only be approximately £400

Shortfall **£4600**

If your company has a goods in transit policy you should be able to claim on that policy. If you don't, then this represents a significant loss.

Covering the shortfall does not have to be expensive. It can be done on shipment by shipment basis or a policy could be put in place to provide an annual full value cover for your goods in the event of loss or damage.



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## YOUR 'MUST DO' CHECKLIST

It is imperative that the delivery point clause the delivery document if they can see damage to the cargo or they suspect there is damage to the cargo within the packaging.

A clean signature on a delivery note almost negates fully our ability to claim for damage in transit.

If the goods are signed for clean and it transpires once the packaging is removed that damage has occurred, it is imperative to notify the carrier within 7 days. The factors which define the level of insurance needed include the **value of the goods**, the **type of goods**, the **destination** and the **vehicle being used for transport**.

### THINGS TO CHECK WHEN SHIPPING YOUR GOODS



#### Packaging

Common sense dictates that the better packaging used the safer the product will be this is no different during transit.



#### Security

In cases where high value goods are being transported try using more secure forms of transport ( e.g rigid sided vehicles ) or better protected vehicles with cameras, GPS tracking, reinforced curtains and auto-locks .



#### Liability

Get confirmation in writing of different liability limits your carrier offers for UK road freight, European freight, sea and air freight.



#### Delivery Schedule

Make sure you get written confirmation of the expected time of arrival from the carrier or forwarder you are using in order to back up any future claims .

## How to claim for damages, losses and theft

In the event of needing to claim against your Carriers' cargo insurance, start by collecting all evidence relating to the issue, this includes:

- All records of conversations between you and the Carrier.
- Photographic/ Video evidence of goods both before and after incident.
- Commercial invoice for the whole shipment.
- The weight of the damaged or lost items and their value

Once you have collected all of the evidence available to you, make sure you file your claim as soon as possible and you get closure within 12 months as some claims can be time-barred thereafter.

# SO... IS IT WORTH THE RISK ?

When deciding upon using goods in transit insurance always calculate the amount the carrier or forwarder you are using is liable for before deciding which course of action to take.

If the value of your goods is far greater than the liability limits of your carrier for that mode of transport, it would be wise to enquire about an all risks policy.

Ultimately it comes down to the value YOU place upon the goods, is it worth the risk?

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