



Using Cargo Insurance to Your Advantage

Avoiding Mistakes that Can Be Costly and Disruptive to Your Business

In the risk management jungle, cargo insurance is a different animal—with a lot of unique characteristics. For example, marine insurance clauses are neither filed with nor regulated by state laws as they are with property and casualty coverage. A broker specializing in cargo insurance is better equipped to formulate the right “recipe” for an effective cargo insurance program that meets your operating needs. The stories below will shed some light on how knowing subtle nuances can impact the effectiveness of your cargo insurance.

Incorporating Coverage for Negligence

A seller and buyer of food products shipped a load of frozen goods in a refrigerated container—but the ocean carrier forgot to plug it in. The policy covered cargo deterioration only if the refrigeration unit failed for a 24-hour period, but since it was never started in the first place the claim was denied and the shipper lost \$40,000.

Solution: Roanoke Trade would have covered this claim because coverage for improper temperature settings is included.

Unanticipated "Extra Expense"

A seller of cannery equipment shipped an order to Italy via ocean vessel which was scheduled to arrive just in time to harvest and can the upcoming season’s crop. The equipment for the cannery was damaged in transit and couldn’t be used immediately upon arrival. This left the first part of the crop in jeopardy of not being processed in time,

so the shipper needed to deliver replacement parts to the customer urgently.

Solution: Since the shipper’s policy was not customized to suit their supply chain, the cost to airfreight the parts were not covered. Roanoke Trade would have included Airfreight Replacement to cover this extra expense.

Concealed Damage

Four containers of computer monitors were shipped from a U.S. manufacturer to a German distributor. Upon arrival at the German distributor’s warehouse on a Friday afternoon, the four containers were taken off the trucks and carefully stocked. The warehouse employees noticed no visible signs of damage so they signed off “clean” (no damage) and full delivery on the trucker’s receipt. During the next week, the distributor started making deliveries from its warehouse when a more careful inspection of the cartons revealed some of the monitors had actually been damaged in transit. Based on the “clean” delivery receipt, the distributor’s cargo insurer declined the damage claim as not having occurred during transit and presumed the damage was caused after arrival at the warehouse.

Solution: A Concealed Damage clause would have allowed for a reasonable period of time (usually between 30 and 90 days) after initial delivery, in which the discovered damage could have been reported. Then if deemed to have occurred during transit, the claim would have been covered.

At Roanoke Trade, we have the experience to ask the right questions in order to augment your cargo coverage with customized clauses. Now more than ever, underwriters want arduous details that pinpoint the risk and cargo security factors at various stages in transit. Underwriters trust our expertise in this area...and we maintain this reputation and relationship with underwriters to secure the best representation for your organization.

A specialized cargo claims unit, such as that which has been orchestrated by Roanoke Trade, has the unique capability to interpret transportation documents after a claim occurs. This factor is more critical to the overall strength of your cargo insurance program than most would think, because it may actually make or break an insurance company's conclusion of whether a claim should be paid and how quickly. It further contributes to the success rate of obtaining subrogation dollars to reduce the negative affect of claims paid against your policy.

Finally, putting all insurance policies aside—the transportation-related risk management perspective gained by speaking with a cargo insurance specialist can often serve invaluable to organizations who import or export for years to come.

Protecting a Brand Name

A manufacturer had a new line of computer printers made in the Far East. The manufacturer expected its new design to be more efficient and durable than current printers sold at a similar price, and the stylish exterior would enhance sales. Each printer had a large brand logo stating the company name and implying a superior product. The new company imported its first shipment by ocean freight. During the voyage, some of the printers suffered water damage from a leak in the ocean container. The insurance surveyor inspected the goods and did not declare a "total loss" to the damaged printers. The surveyor then conducted a salvage sale to a computer parts wholesaler without removing the manufacturer's brand logo and name.

The wholesaler sold the printers to a variety of outlets, who in turn sold them to the public at a greatly discounted price. Various consumers bought the printers not knowing of the water damage. The printers failed to work properly and the stylish exterior paint finish chipped. Word got out and a computer trade magazine reported the new line of printers was of poor quality and sales plummeted.

Solution: A Brands Clause would have allowed the manufacturer to have its name and brand logo removed from the printers prior to the salvage sale. A Control of Damaged Goods Clause also should have been considered to protect against salvage situations. This clause would have given the manufacturer the right to not have the damaged goods sold for salvage—and would have instead provided the option to have the printers destroyed.

Call us at 1-800-ROANOKE and let us show you the benefits you can obtain from working with us on your cargo exposures.

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