

Industry Insights Cargo Insurance

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Declared Value Coverage Vs. Cargo Insurance:

Knowing when to offer one or the other...or both

There are advantages to declared value coverage and there are advantages to cargo insurance. They should be compared to best determine what you want to be offering to your customers. But, whatever you do, take care not to mix the meanings because they truly are two different types of coverage.

► Cargo Insurance

A cargo insurance policy may be obtained by a freight forwarder or directly by a shipper. If the freight forwarder has a cargo insurance policy, they typically use it to insure their clients' cargo under the policy as a value-added offering.

Cargo insurance directly protects the goods on behalf of the shipper, and does not protect the airline/forwarder/trucker. When cargo insurance is in place for a shipment, your HWB limitations, or limitations of other bills of lading, do not restrict payment to the assured by the insurance company. In other words, the shipper does not have to prove that the carrier is legally liable. The shipper will be reimbursed for their full-insured value in the event of a covered claim that results in 100% loss, and they will be reimbursed proportionally for partial losses. That is, they will be reimbursed if the loss is not specifically listed as an exclusion in the cargo insurance policy.

► Declared Value Coverage

Declared value coverage is not "cargo insurance" so be careful not to reference it as such to a customer. For a shipper to be paid on a claim under declared value coverage, the shipper must prove that the carrier is legally and contractually responsible for damages. A transportation specialist typically will have a cargo legal liability policy in place to help cover these types of claims.

A shipper with declared value coverage is typically subject to the exclusions and limitations of your HWB or other bills of lading. In addition, concealed damage losses must be reported within the timeframe specified in your contract, whereas cargo insurance typically allows up to 30 days for the reporting of concealed damage. Declared value coverage claims are often paid at a pro-rated amount based on total value declared divided by the number of pieces and/or at actual cash value, but this ultimately depends on what is stated in your HWB or other bills of lading.

Read on for a side-by-side comparison of cargo insurance and declared value coverage.

► [More...](#)

► Comparing the difference at a glance

Why Offer Cargo Insurance?	Why Offer Declared Value Coverage?
<p>You can charge more for cargo insurance than you would for declared value coverage, and in return you are giving your customer more value in terms of reimbursement protection.</p>	<p>Cargo insurance is typically more costly than declared value coverage, and may be an unnecessary expense for shippers unconcerned about the “Acts of God” exposure.</p>
<p>You may avoid deductible payments in the event of a damage claim if you are found legally liable. The shipper is responsible for paying the deductible if they are being covered under cargo insurance.</p>	<p>With cargo insurance, shippers may be surprised to have to pay a deductible if it is not clearly explained to them up front.</p>
<p>Your customers will receive prompt claims attention and broader coverage on merchandise that is listed as insured under your cargo insurance policy. Furthermore, to file a claim, it is not necessary for the shipper to prove that the carrier is at fault for the damage.</p>	<p>Cargo insurance can be more restrictive than declared value coverage on the types of merchandise covered. For example, cargo insurance may exclude or charge a high premium or high deductible for cell phones, laptops, PDA’s, etc., whereas many legal liability policies still do not impose such restrictions.</p>
<p>There may be fewer grievances against your company because your customers may have faster and more satisfying results in the event of a claim, provided they insure for their full invoice value. Declared value coverage may result in receiving only actual cash value or a pro-rated amount based on the number of packages or pieces shipped.</p>	<p>With cargo insurance, if the shipper doesn’t insure for the full invoice value, they could end up receiving less than the amount of an actual loss. For example: if an invoice value of \$50,000 is insured for only \$25,000 (50%) and a \$20,000 loss occurs, the shipper would receive an amount in proportion with what they insured... \$10,000 (50%).</p>
<p>Cargo insurance can serve as a competitive advantage since most domestic airlines/forwarders/truckers don’t offer this coverage.</p>	<p>Cargo insurance can serve as a disadvantage if your staff doesn’t know what they are selling—work with an agent that provides quality training and selling tools to ensure your success.</p>