

Industry Insights Business Insurance

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Errors and Omissions Program for Non-Vessel Operating Common Carriers

Why Do I Need Errors and Omissions Insurance?

As a non-vessel operating common carrier, you provide a large number of services to your customers. Therefore, your company is exposed to greater risk. You need Errors and Omissions Insurance to protect you from claims or lawsuits your client may file against your company should you or one of your employees make a mistake. E&O Insurance is important, especially to NVOCCs whose daily operations involve a large amount of documentation.

Why Do I Need a Separate Policy for E&O When I Carry an NVOCC Legal Liability Policy?

An Errors and Omissions policy and a Legal Liability policy protect you in different ways. Your Legal Liability policy protects you from claims that are filed against you for physical loss or damage to goods that are in transit under your house air waybill or ocean Bill of Lading. Legal Liability insurance does not provide you with any coverage for consequential or indirect damages your customer may suffer as a result of the damaged cargo, such as loss of use, loss of sales and loss of future sales. Similarly, your Legal Liability insurance does not provide you with any coverage for delay or for damages your customer may sustain and hold you responsible for as a result of delay. Finally, most Legal Liability policies provide you with no coverage whatsoever for cargo where you have simply arranged transportation, where no house Bill of Lading is involved. Error & Omission insurance is essential for dealing with the gaps that Legal Liability insurance does not pick up.

What Types of Situations Are Covered by an E&O Policy?

The following are examples of the types of mistakes that are covered under our policy for claims arising from errors or omissions you make while acting as an NVOCC:

- Failure to collect or failure of your overseas agent to collect
- Failure to receive proper documents before releasing goods
- Shipping delay caused by your negligence
- Failure to exercise reasonable care when arranging for subcontractors to store, pack, crate or transport merchandise
- Improper quotation of freight charges
- Failure to follow instructions
- Demurrage caused by you or your overseas agent
- Failure to use seaworthy vessels
- Misdirection of freight
- Incorrect classifications of goods for export

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What is an Example of an E&O Claim?

The following are actual claims covered by a policy offered by Roanoke Trade:

Documentation Error

An NVOCC arranged for computer equipment to be shipped to Singapore. The NVOCC was given instructions to collect a cashier's check upon delivery. The NVOCC failed to inform the trucker of the payment instructions, and the trucker collected a certified check, which was later discovered to be forged. The shipper filed a claim against the NVOCC for failing to follow instructions.

Failure to Collect

An NVOCC was instructed to specify COD on a shipment to Europe. The documents were prepared improperly and the shipment was released to the consignee without payment. Because of a previous dispute, the consignee refused to pay the shipper for the goods. The NVOCC was held responsible for the entire value of the goods.

Documentation Error

An NVOCC's employee made a clerical error on documents accompanying a draft on a letter of credit. The bank refused to honor the draft and the letter of credit expired before a re-submission could be made. The shipper was unable to collect from the consignee who was located in the Middle East and held the NVOCC responsible for the entire value of the shipment.

What Benefits Will I Receive From an E&O Policy?

With an E&O policy, you can be confident your business is protected from costly lawsuits. In addition, with a Roanoke Trade E&O policy, you won't have to pay any attorney fees or other claims investigation expenses. We pay all of these costs for you.

How Much Does an E&O Policy Cost?

We rate our policy according to the number of employees in your company and other factors related to your business exposures.

For more information on E&O coverage, or to receive a no-obligation quotation, contact a Roanoke Trade Account Representative.
