



Controlling Costs on Cargo Insurance

Cargo insurance for heavy project cargo typically involves customized cargo insurance obtained on a per shipment basis. Whether you are a transportation intermediary or the shipper, here are some cargo insurance buying tips from the unique perspective of an insurance provider and a surveyor.

Customize Your Insurance to Cover Your Risks

Cargo insurance is one of the last unregulated lines of insurance, and the strength of the policy you purchase is often based on you and your insurance provider's ability to identify all the potential hazards within the supply chain, and then to customize coverage to properly insure the real risks of your project. Do not assume all cargo insurance is the same or there is standard wording. For example, most policies limit coverage at the port to a maximum of 15 days and inland at a maximum of 30 days. If your goods sit at the port longer than 15 days, it is important to ensure coverage is extended to suit the exposure. There are hundreds of scenarios that may alter a standard cargo policy.

Loyalty and Longevity Assure Best Results

Most insurance providers resent shippers shopping every year. Once you have found the right provider, sustaining a long-term relationship will build trust and comfort that can translate into better pricing and coverage. Switching from broker to broker, or insurance carrier to insurance carrier, is a tactic that will backfire over time. Getting an alternative quote periodically to keep your provider on its toes is not a bad idea, but bidding insurance on every shipment is counter-productive. The consequences of this include an unfavorable reputation, a refusal to quote, slow response time and ultimately higher pricing.

Insurance Rates

Do insurance underwriters rely on methodology and science to determine pricing, or do they just pull numbers out of their hat? Actually, applying a rate to a risk is a combination of both. Contrary to traditional lines of insurance, marine insurance does not rely on company published rate guides or state filed rates. While loss experience, the relative risk, commodity and geography play a part in pricing, at its core pricing is based on the insurers' level of comfort with you and the risk. If you want better pricing, the objective is to make the insurance underwriter as comfortable as possible with the risk.

When it comes to cargo, details of packing, prior project experience, vessel details and loading or transloading information should be submitted in your request for insurance, and the more detail the better. Without sufficient information, underwriters will express their discomfort by way of inflated pricing, deductibles and restrictive insuring conditions. For example: a Request for Proposal for insurance (RFP) pricing on \$3.5 million of oil rig equipment carried on flat racks from Houston to Russia will yield a reluctant response. The same RFP describing the risk as "new oil rig equipment custom crated by XYZ Professional Heavy Equipment Packers and supervised by manufacturer engineers to ensure product integrity" will yield a more favorable response. In addition to providing information to comfort the underwriter, shippers willing to absorb higher deductibles can yield better pricing. Included in the wide range of options are deductibles expressed as a percentage of the value, flat deductibles per shipment and per piece or per conveyance deductibles.

Premium Refunds

Request a no-claims bonus or a profit share agreement whereby a portion of the premium is returned to you for a favorable loss record.

Cargo Surveys

One of the conditions common to some cargo shipments is the underwriters' insistence on a packing and loading survey. While a survey adds time and cost to the shipment it is actually for the benefit of both the shipper and the insurer. Loss due to improper packing is expressly excluded from just about every cargo policy in the world. A site inspection, packing survey, and load and stow survey take away any question of the suitability of packing and also helps to ensure the freight arrives intact at destination. Use only certified marine surveyors who specialize in marine cargo. The National Association of Marine Surveyors (NAMS) publishes its directory of certified members annually, and this can be a very useful reference in the search for a competent cargo surveyor, as well as the Lloyd's directory at www.lloydsagency.com.

Likewise, outturn surveys at the port of discharge and/or points of transfer and delivery are often required by underwriters to protect the cargo interests and provide an additional measure of loss prevention protection.

A fairly common, reaction to the requirement for surveyor attendance is: "Why should we have to pay for a surveyor, isn't it the carrier's responsibility to make sure that the cargo is properly handled?" While this may be true, there are certain conditions, not least of which are limits of liability on the part of the carrier, and the potential for costly consequential damages, that should be of concern to cargo owners,

underwriters and other interested parties. One of the primary benefits of surveyor attendance is to monitor, and to correct when necessary, the actions of stevedores and crew members when loading and unloading cargo. An independent set of eyes on a particular cargo can often spot deficiencies or improvement opportunities in performance, safety and security.

Recently, a cargo of passenger rail cars was loaded at Philadelphia for transport to Korea. Three cars had been loaded to the tank tops of the particular vessel and another three cars were stowed on the tweendeck. The cars were stowed on the wheels, with pedestals at the corners supporting the shell of the car. The stevedoring company was familiar with the cargo and had been routinely loading and lashing this type of cargo for some time. The vessel encountered some moderately heavy weather between Philadelphia and the next port of call, Portsmouth, New Hampshire, and one of the cars on the tweendeck shifted in stow, causing damage to the fiberglass car shell. Upon inspection of the lashings, it was noted the chains at the rear of the car had been arranged nearly parallel to the center line of the vessel, affording little in the way of transverse securing. In addition, some lashings were improperly secured to the cars' suspension system, rather than to more secure lashing points. When the port captain, who had attended the loading at Philadelphia, was interviewed, he stated that the stevedores told him this was how they always lashed the rail cars. Had a surveyor been present during the lashing, it is likely that stevedores would have been instructed to use appropriate lashing points on deck and on the cargo, and the damages could have been prevented.

In order to obtain the best return on the dollars spent for a surveyor's involvement and attendance, some simple measures can be taken. Clear lines of communication should be arranged between the surveyor and the shipper or transportation intermediary. Providing the surveyor with the vessel's agent's contact details will allow him to monitor the vessel's schedule and avoid waiting for a delayed arrival. Chances are good the surveyor will have a working relationship with the agents in local ports, and direct communication with the agent provides the most up-to-date information available. The surveyor should also be provided with the appropriate person to contact, in the event that there is an incident resulting in damages, or if the cooperation of stevedores or the vessel's crew is less than adequate. Providing the surveyor with the authorization to stop the operation, if he feels that the conditions are unsafe or improper, should be strongly considered. The scope of the surveyor's involvement should be clearly defined. The attendance requirements on the part of the underwriter can vary widely, depending on the terms of the policy (where coverage begins/ends) and the means and methods of carriage. If the transfer of risk or ownership occurs at the port of discharge, the surveyor attendance for subsequent loading of a generator to a rail car for inland transport may be for the account of the receiver. Similarly, it should be determined whether the surveyor is required to attend lashing operations until completion. It is not uncommon, particularly at some river ports, for a vessel to depart before all lashings are in place, on the understanding that lashings are to be completed during the run downriver. If this is acceptable, the surveyor will review the lashing details with the vessel's chief officer and will clearly state in the survey report the details of the lashing plan. If it is required that lashings be fully completed prior to departure, the surveyor will be onsite to confirm compliance. Where applicable, engineering drawings of lifting arrangements and particulars of the specific cargo, such as the appropriate lashing points, and equally important, where lashings may not be applied, should be provided in advance. If the vessel's gear is to be utilized for the lift, the surveyor will meet with the line's port captain or chief mate, prior to the start of the operation, to review and confirm the lift will be consistent with the requirements for the piece, and the vessel's certificates and annual inspections for the gear are current. The surveyor will also visually inspect the lifting gear (slings, grommets, shackles, etc.) first hand, to make sure there are no visible deficiencies. It may also be useful to involve a surveyor in the planning stages of a particular project. In many cases, the marine surveying company can arrange for attendance at all ports and points of transfer, and can assemble and disseminate the above required information to the appointed surveyors. For example, communication between the surveyors at the load port and at the discharge port should include details and particular concerns regarding the cargo's stowage and handling.

By providing the appropriate information and instruction at the outset, the advantages of efficient use of surveyor attendance can be maximized. The benefit of the loss prevention services provided by a competent marine surveyor can be difficult to quantify, but when compared with quantifying the extent of loss after a claim, most would agree that it is money well-spent. Applying some of these techniques should yield positive results in your next round of negotiations.

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For more information, please contact us at 1-800-ROANOKE, ext. 1252 or info@roanoketrade.com