



Understanding the Importance of Warehouse and Freight Receipts

The role of receiving cargo naturally comes with certain risks, and planning for mishaps is an important part of business. Whenever receiving or caring for the cargo of others, you have a responsibility to exercise reasonable care in the handling and safeguarding of these goods. Failure to exercise reasonable care will result in you (the freight forwarder, customs brokers, consolidator) being financially responsible to the cargo owner. The degree of financial responsibility often depends on three factors: 1) the extent to which you were negligent, 2) your role while caring for the goods (e.g., NVOCC, international air consolidator, warehouseman etc.) and 3) the maximum amount to which you have declared, in writing, to be financially responsible.

Never assume responsibility for someone else's mistakes. Even if it's 3:00 on a Friday afternoon, instruct warehouse workers to carefully inspect and count cargo before signing receipts. Failure to note exceptions on the delivery receipt automatically frees all parties from liability who have handled freight prior to you. Remember, once you sign for it—it's yours.

Clearly advise cargo owners of your maximum financial responsibility while handling their cargo. The use of properly worded warehouse receipts is highly recommended. All receipts need to include the following ingredients in order to be effective:

Clearly state the maximum amount for which you are responsible. For example: "our liability for loss or damage to cargo as a result of our failure to exercise reasonable care is limited to a maximum of \$1 per kilo or \$100 per package, whichever is greater."

On the receipt, give the cargo owner the option to purchase additional insurance for a premium to be agreed. Some courts have ruled that the failure to offer insurance to the cargo owner is an implied agreement on your part to accept full and complete financial responsibility.

Advise the cargo owner that you are responsible for loss or damage only in cases where it is proven that you have failed to exercise reasonable care. For example, losses due to earthquake, flood or lightning are forces of nature beyond your control and therefore not your responsibility. Cargo owners can purchase "All Risk" cargo insurance to cover some of these exposures.

When issuing a warehouse receipt is not practical for your business, be creative. For many transportation companies, the issuance of a warehouse receipt is not conducive for business. In such case, it is highly recommended that alternatives be considered:

Incorporate your limits of liability wording on all invoices.

Send all regular customers a written statement of your financial responsibility when handling their cargo and offer to insure their shipments.

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