CARGO INSURANCE
CARRIERS DON'T CARE
BUT YOU SHOULD

LR INTERNATIONAL INC.
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MADISON INTERNATIONAL TRADE ASSOCIATION

LR INTERNATIONAL

Why Insure?
Common misconceptions:

- Carriers stand behind their service and actions. Carriers care!
- If there is proof of negligence by a carrier, I will be totally reimbursed.
- I only have to be concerned with loss to my product. The carrier's loss to their ship or equipment is none of my concern.
- By "declaring value" with any carrier, my shipment is insured.
- Our company P&C policy has shipping as part of our coverages, that must include International shipments too…right?
- I ship ex-works, so my customer is responsible for the cargo insurance. As long as I have been paid, what do I care?

Not so fast..carriers have reciprocity.

What are limits of liability?

-Carriers do not pay claims unless they directly cause or contribute to the loss. The key word is “directly” and acts of nature or extenuating circumstances are common iron clad defenses. When carriers/ports are deemed liable the COGSA Carriage of Goods by Sea Act – limits the carrier/port liability. COGSA was designed to protect owners of cargo, but was manipulated after the Hague Rules and made limits of liability for carriers/ports a joke.

Typical carrier limits of liability:

- Ocean- $500 per unit…a unit is typically an ocean container. So if the entire container is worth $100,000 you get $500 from the carrier.
- Air- $9.07/LB or $30.00 per kg. A 50 kg piece worth $20,000 pays out at $1500.00 in total claim payment.
- Domestic-Limits typically at $.50 per LB gross weight cargo or $50.00 max per shipment. Liability insurance can be low or non-existant. LRI customer had to pay for new side walks in town due to carrier negligence.
- Ports/Airports- Typically zero fault no liability.

Types of coverage:

All Risk- Provides the broadest form of protection available. Goods are covered for loss or damage without the need to prove liability. All risk = Everything is covered unless it is excluded. Common exclusions= Improper Packing, Inherent vice, Rejection of goods by customs, oxidation, used goods. Coverage can be extended on these things by request.

Types of coverage:

FPA- Free of particular average- Less protection than all risk. Sort of like liability only on old cars. Covers named perils which always include General Average.

Types of coverage:

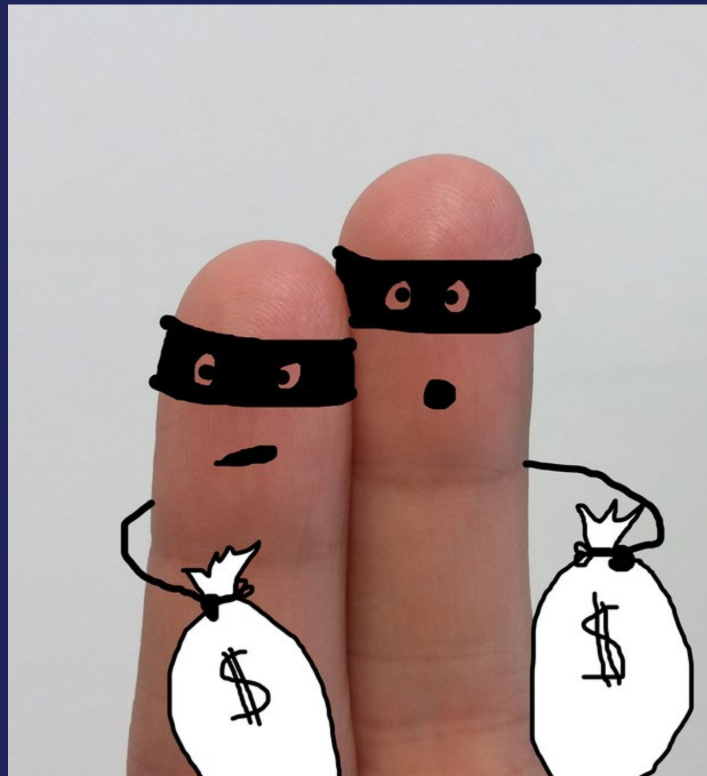
WA- With Average…extends FPA to cover heavy weather as well as other a la carte add-ons that are possible.

Common deficiencies in P&C policy coverages that pertain to Internatio

- Oxidation
- Continuous movement
- Used goods
- General average/General salvage
- Packing requirements are much greater for International but not specified in P&C policy
- Acts of Terrorism/piracy

How about theft?

- Cargo Theft in the USA estimated to range from $25 Billion - $75 Billion annually.
- 80% of cargo theft involves collusion.
- Within 24 hours thieves are no longer in possession of the goods.
- 48 hours from theft goods are split into separate consignments for re-ship.
- 72 hours from theft, goods are being marketed and sold.



CASE STUDIES

LRI Illinois Exporter exporting $ 2 million USD machinery to India in open top containers. Port in the USA lifting the open tops and the crane breaks. Crane arm crashes into the open top container and causes $150,000 damage to one of the machines. Port under COGSA paid nothing. LRI customer had cargo insurance, was made whole and was able to repair the machine, re-ship and meet their India customer's requirements.

CASE STUDIES CONTINUED

Nebraska exporter shipping commercial fryers for restaurants in the UK in 40' ocean containers. Port of NJ dropped a 40' container from about 80 feet in the air. All fryers completely destroyed in the container- total loss. LRI customer had purchased an airfreight replacement rider to the cargo insurance policy. Cargo insurance carrier paid for the goods at $100,000 plus airfreight to get the replacement order to the UK within a week. Value of the airfreight was $35,000.

CASE STUDIES CONTINUED:

LRI customer shipping large un-containerizable cargo to Brazil via the port of Jacksonville FL by ocean. LRI makes a booking at Jacksonville port. Our Illinois customer hires the flat bed trucker who does not secure this heavy load properly to the flat bed truck. The load comes off the truck at a corner turn about 3 miles from the shipper's factory narrowly missing a car stopped at a traffic light and damaging the sidewalk and the traffic light. The trucker does not have enough liability coverage so our shipper must pay the town to fix the sidewalk and the traffic light. Cargo insurance was in place from Jacksonville FL to Brazil.