

COVER OVERVIEW

Freight Forwarders' Liability Insurance

The responsibilities of freight forwarders—those who give advice, negotiate charges and provide transport solutions for shipments between buyers and sellers—are extensive. As a freight forwarder, your liability can stretch from the initial contract agreement to ultimate shipment delivery and fulfilment of all contractual obligations. For shipments that span different nations—or even different continents—your liability balloons as the distance grows.

You may be responsible for not only securing shipment for cargo, often using more than one mode of transport, but also knowing about different regulations, including import and export regulations, during the course of the shipment and ensuring the payment of customs charges.

Freight forwarders deal with a lot. Without freight forwarders' liability insurance, you may be left exposed to huge liability payments if anything goes wrong. Keep reading for a basic overview of freight forwarders' liability insurance and how you can cap your professional risks.

Importance of Trading Conditions

Contracts signed between freight forwarders and their clients, which clarify each party's responsibility, can change with each new shipment. Most forwarders operate under the British International Freight Association's (BIFA) conditions of trade, but only BIFA members are allowed to use these exact contract conditions. Contract conditions can be contingent on many things, including particular tasks involved in the shipment. For example, if you are providing warehousing during the shipment, you should consider

using the United Kingdom Warehousing Association's conditions. Due to the adaptable nature of freight contracts, thoroughly read and understand contract terms before signing and accepting liability. A bespoke contract can saddle you with unexpected liability even if that is not typically the industry standard. All parties must agree on contract terms before the agreement commences, so do not agree to any damaging terms.

Contract conditions can also dictate how your business operates with its clients and how your insurer calculates your risk. To write your freight liability policy and determine your premium, insurers task underwriters with investigating the following:

- General contract conditions and any specially agreed-to contracts
- Gross annual freight charges, organised according to road, rail, sea and air
- Territory covered and nature of goods being transported
- Procedural information such as what customer documentation you issue and when
- Detailed information about any subcontractors you use
- Details on any storage facilities or transport vehicles you own

The Cover

As a forwarder, you typically do not insure the cargo, since you do not own it. The owners of the cargo



Provided by Baldersons Insurance Brokers

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normally insure what they ship under cargo insurance; forwarders insure only their own liability. The compensation from a freight forwarders' liability policy is not meant to cover the owners for the total value of their goods. Recommend that your clients purchase their own cargo insurance.

The basic requirement of freight forwarder insurance is to protect forwarders against liability from simply doing their job. Beyond this requirement, different insurers have developed different policy wordings to gain a competitive advantage. Therefore, policies can vary greatly. Many freight liability policies are bespoke, tailored to business' specific needs.

Because there is no standard freight liability policy, cover is typically a combination of several different options, some of which are listed here:

- **Liability for goods in transit** protects you against damage arising from contract conditions, international regulations, statutes and common law. Insurance typically remains in effect until it is no longer possible for the forwarder to be held responsible for loss or damage to the cargo.
- **General average** guards against necessary financial losses, such as dumping cargo at sea during a storm to guarantee the transport ship's safety.
- **Consequential loss** ensures that physical losses, such as lost cargo, do not equate to financial losses such as lost profit or additional charges to replace lost goods.
- **Loss of or damage to containers** covers loss of or damage to containers, trailers, pallet containers, pallets and various other equipment used to transport goods.
- **Errors and omissions** indemnifies you in the event that your error, omission or negligent act, such as

providing incorrect instructions, qualifies as a breach of professional duty and results in a financial loss.

Extensions and Additional Covers

The bespoke nature of freight liability policies means there are plenty of extensions and additional covers to fit your business' needs, including the following:

- Mitigation costs
- All risks property damage covers
- Own equipment
- Hired-in equipment
- Temperature-controlled goods
- Personal effects

Bespoke Policies

Make sure you understand what you need to have insured, and obtain the appropriate bespoke cover. A cumbersome, generic policy will not address your business' specific risks, which can vary greatly depending on the cargo, trip duration, countries crossed and modes of transport used. It is therefore imperative that you find a policy which protects against your variable risks.

The complicated nature of a freight forwarder's job need not carry over to your liability insurance policy. Contact Baldersons Insurance Brokers today at 0114 258 2561 to start designing a simple, bespoke policy perfectly suited for your business.