

Ten Questions To Ask Before You Buy Cargo Insurance



UPS Capital Insurance Agency, Inc.



Cargo Insurance Defined

The international shipping industry is responsible for the carriage of 90 percent of global trade in goods.¹ And there is approximately US\$1.43 billion worth of containerized goods moving through U.S. ports every day.²

It is no wonder, then, that more and more companies are purchasing Cargo Insurance to protect against physical loss or damage to goods from external causes such as theft, natural disaster, inclement weather, and shipping accidents.

Whether you are currently working with an insurance provider or are considering Cargo Insurance for the first time, UPS Capital Insurance Agency, Inc. suggests you ask the following questions to ensure your goods are properly protected:

1. **Is your Cargo Insurance provider experienced in supply chain management and transportation, or are you buying Cargo Insurance from your general liability protection provider?** Consider buying insurance from a provider with expertise in multiple modes of transportation, customs brokerage, and moving goods internationally. Make sure your provider has the background knowledge and know-how to fully protect your goods.
2. **If you already have Cargo Insurance, does your current provider protect your goods via all modes of transportation – ship, airplane, train, and truck?** No matter how your goods are transported, make sure that your insurance provider offers complete protection and uniform rates. For instance, if your goods come off a ship and are loaded onto a truck to be transported to their final destination, often the insurance rates and coverage limits may differ. There can be hidden gaps in coverage as goods are moved from one mode of transportation to another.
3. **Have you filed claims through your current insurance provider, only to find that it causes unneeded frustration, time, and money – so much so that you find yourself not filing claims just to avoid the hassle?** Many insurance providers only offer you a few days to file a claim. UPS Capital Insurance Agency, Inc. offers 30 days and if you use UPS Freight Forwarding to move your goods and UPS Capital Insurance Agency, Inc. as your insurance broker, UPS and its affiliates will have all the documents necessary to file a claim quickly and efficiently.
4. **Do you inspect all of your shipments upon delivery?** If the packaging of your shipment appears unharmed when it arrives at its destination, but the goods inside are broken or damaged, you want to have an insurance plan that enables you to file a claim once the damage is discovered, even if that is days or weeks down the road. Some insurance providers give you only a few days to discover the damage and file a claim, while other insurers offer 30 days to report damage from the time the shipment arrives at its destination.
5. **Do you understand your full exposure?** There are many hidden risks when it comes to trading internationally. For example, your goods may be on a ship that encounters issues at sea and must jettison containers during the voyage in order to safely return to port. Even if your goods arrive safely at their destination, you may be liable for a portion of the

¹ World Trade Organization, “International Trade Statistics 2005.”

² World Shipping Council, “Liner Shipping: Facts and Figures” (http://www.worldshipping.org/ind_facts.html).



loss or damage of other goods on the vessel, even if they are not yours. Ensure that your cargo insurance provider has expertise in the international movement of goods and the know-how to protect your goods fully.

6. **Do you know at which point in the supply chain you take ownership of your goods?** Make sure that you consult the terms of sale between you and your suppliers so that you know exactly when you take ownership of goods in transit. For instance, at the leading port of shipment, does your supplier still assume the risk and responsibility for the goods at that point, or is it passed on to you? After you identify the point at which you take ownership of the goods, make sure that your insurance policy covers the goods from that point forward.
7. **How well do you know your overseas trading partners?** As an exporter, you may have specific terms of sale in place with your buyers. However, if goods are damaged in transit, even after your buyer has taken ownership per the terms of sale, the buyer might refuse to pay for the damaged goods. You could try to enforce the sales contract, but that can sometimes be difficult to do. Contingency coverage can be added to most cargo insurance policies and covers shipments that you were not required to insure. Carefully evaluate your trading partners and determine whether you need contingency coverage for your shipments.
8. **Do you currently insure your shipments one container at a time?** If you are currently insuring your shipments one container at a time, you might consider implementing an “open policy” type of coverage instead, which can save you money by providing a comprehensive insurance policy to protect all of your goods in transit. Evaluate the volume of shipments you handle and the size of your company, and investigate whether or not an open policy would save you money.
9. **Are your goods covered while they are sitting in a warehouse and not in transit?** Often, when goods come into the U.S., they might sit in your freight forwarder’s warehouse waiting for your other goods to arrive – which can take weeks. The freight forwarder can then consolidate all of your shipments and send them to you at once. Even if you already have property and casualty insurance, this type of insurance might not cover goods in your freight forwarder’s facilities or your rates may be higher than Cargo Insurance rates, which can also cover your warehoused goods. Evaluate the best policy to cover your warehoused goods.
10. **Are you receiving the service and counsel that you need from your current insurance provider?** So much of today’s trade is in perpetual motion, moving around the world, into containers, onto ships, over the ocean, through customs, across borders, into warehouses, onto trains, into trucks, stored in warehouses, and so on. These are all the ingredients needed to increase risk. Consider getting a free cargo risk assessment from a licensed insurance specialist at UPS Capital Insurance Agency, Inc. to learn more about what kinds of risks your company faces and to better understand the types of insurance you need to protect your company against the risks of international trade.

For more information on Cargo Insurance or UPS Capital Insurance Agency, Inc., please call 877.820.2003 or visit us online at upscapital.com/insurance.



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