

BLOG

Cargo Insurance, What Are The Risks? Part I

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It's the phone call no courier owners want to hear, but it happens more than you might think. As a business owner in the same day delivery world, cargo risks and courier insurance must be top-of- mind. Depending upon your business practices and cargo insurance, the degree of risk you carry can vary greatly.

Important questions you should be asking

Obviously, the nature of the cargo you were transporting makes a difference: What exactly was in the van? How many different customers' goods were on board? How easily can the lost items be replaced? How serious are the consequences if they don't reach their destinations on time?



Equally important is how you have defined your liability with the customer(s) involved. What was your understanding about who would be responsible for this kind of loss? What documentation is there to back you up? Do you use a "bill of lading" or "delivery receipt" or do you have a contract with the customer(s)? Does this (or any other document) contain language limiting your liability in case of loss? Did your people request and obtain declared values? Did the customer at the pick-up location sign a receipt and manifest?

Finally, there is the insurance factor. Do you have cargo insurance? Is it off-the-shelf Motor Truck Cargo (which usually contains many limitations and restrictions not suitable to a courier service) or is it a specialized courier insurance policy? Does it matter if you have not obtained declared values? Will it only cover you if you are legally liable for the loss (in this case of robbery you may not be).

Seller Beware

In the courier industry, the law protects mainly the buyer. Therefore, you must expect to be held responsible for most problems with your customer's shipments unless - you carefully prepare in advance. All too often the magnitude of the risk you are taking is not recognized. Frequently standard insurance will fail you, and even specialized insurance requires you to take precautions and obtain declared values.

You should regularly consult with your insurance agent or attorney regarding new and special kinds of cargo/deliveries. Also, you CAN limit your liability and substantially reduce the risk of a loss - if you commit your company to the task. Let's point to some types of deliveries that carry a greater than normal risk and suggest broad approaches you can use to reduce those risks.

High Risk Deliveries

Let's face it, cargo contents today vary greatly. Most couriers carry much more than envelopes, documents and innocuous small parcels. In fact, couriers are always looking for ways to expand the types of deliveries they make. Your challenge is to expand your business without threatening your very existence by taking on risks you aren't necessarily prepared to meet.

High risk deliveries generally fall into two categories: "special care" and "I don't care, it's not worth it." Most opportunities fall into the first category, but it's vital to recognize there are certain shipments/cargo that your business is not equipped to make - at least not with any measure of security. Details will vary depending on what delivery methods you use, but certain business will be turned down by practically any courier.

One example is the ATM machine sweep. Banks look for ways to cut costs including replacing armored truck services for less expensive courier companies. ATMs are like sitting ducks for theft rings - easy to stake out and lightly guarded. Many courier companies refuse these contracts due to the type of risk that can translate to large losses and increased insurance costs for the client.

Beyond the potential loss of cash (which is not covered) under normal cargo insurance, you need to consider injury to the driver and the resulting Workers Compensation claim or lawsuit. You could arm your courier, but do you really want to assume the liability for anyone caught in the cross fire? There's a reason armored truck services act and charge as they do.

So, what about your company's deliveries? Regularly scheduled pickups of high value jewelry are high targets for theft, or cash deposits - jobs where you are forced to leave a vehicle filled with valuable commodities unattended. Is the threat of theft worth the short-term gain?

Want to learn more?

Connect with the Risk Strategies Transportation team at transportation@risk-strategies.com

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