

**ARTICLES**

# Don't Become a Statistic: Common Courier Claims to Avoid

**Jun 24, 2019**

There are lessons to be learned from real-life courier losses and associated insurance claims. Below, we offer three examples of common claims and outcomes to help courier owners like you avoid these potential “potholes” and develop better risk management strategies.

The following are portrayals of actual scenarios and claims, although courier identities have been concealed. Learn from these all-too-common mistakes.



## Contract Woes – The Cost of Being Underinsured

A courier landed a contract with a logistics and air courier company to deliver electronics for a major computer maker. The courier agreed to indemnify the logistics firm for loss or damage arising out of the courier's operations. He did not, however, inquire about the logistic company's liability to its customers. Unfortunately, the courier assumed that his insurance, which covered the cost of replacing lost or damaged cargo, would be sufficient.

One day, several boxes valued at tens of thousands of dollars went missing. As it turned out, the contract between the logistics company and the computer maker specified that claims would be settled at retail value, not at cost. This left the courier underinsured by more than \$10,000.

While the courier's insurance coverage met or exceeded industry standards, their failure to dig into critical issues of liability and value when transporting valuable cargo was a costly mistake.

As couriers increasingly insert themselves into the mainstream of cargo transportation, it is dangerous to assume that business will always operate “as usual.” Often, it does not. Take time to conduct due diligence and properly insure your operation before getting involvement with other transportation, logistics and shipping companies.

## The Missing Bag and the Missing Contract Clause

A courier providing services to small financial institutions lost a bank bag. The first reaction of the customer's CEO was panic: “This could cost hundreds of thousands due to potential exposure of sensitive client information!” The courier’s first reaction was relief, as he had purchased Errors and Omissions (E&O) liability coverage to protect the business in these situations.

Luckily, ultra-sensitive client data was not in the bag (phew!) However, an ensuing review of the courier's contract with its customer revealed that there was no clear language on which company would be responsible for the face value of checks that could not be reconstructed. Additionally, there was no maximum dollar cap on liability.

In the absence of a signed-off limit of liability, couriers can be held responsible for the full value of items transported.

For those checks unable to be "repaired" via reconstruction, the concern was that a court could hold the courier liable for face value. This led the courier to add a modest amount of face value insurance to the company policy.

Moving forward, the courier now presents this customer and others with an option for higher value coverage at an additional charge. Hopefully, the courier will also obtain signed releases from customers that opt not to purchase face value protection.

#### No Sign of Signage

A courier service complained that its auto insurance claim payment was roughly \$2,000 short of actual cost. The difference proved to be the cost of redoing custom vehicle signage that had been installed on the sides of the truck six months prior.

The auto insurance carrier treated this as a custom addition to the vehicle, much like a pickup camper top or specialized permanently installed radio or stereo equipment. Coverage for these additions is generally limited or excluded unless they are declared prior to a loss. The extra values are, of course, factored into the insurance rates you pay. No one had mentioned the new signage before, so it was not on record with the carrier and was therefore not covered in the claim.

The courier was understandably frustrated, but consider this: If you did a build-out in your offices and failed to report this to your property insurance carrier, would you expect the carrier to pay for replacing the build-out, or just the basic office property values that were on record? To ensure proper insurance coverage and limits are in place, inform your insurance broker about signage and other vehicle enhancements that increase your vehicle's value.

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