What Every Shipper Needs to Know About Declared Value vs. Cargo Insurance

In the transportation industry, the words declaring and insuring are often interchanged resulting in great misunderstanding and confusion among shippers. Here's an explanation of what to expect when declaring value with your forwarder/carrier versus purchasing cargo insurance.

▶ Declared Value Coverage

Declared value coverage is ***not*** insurance for shippers. One of the most significant distinctions of being paid on a claim under declared value is that the shipper must prove that the carrier's negligence directly resulted in the loss or damage to cargo.

Declaring value simply raises the financial legal liability of the carrier beyond the limitations stated on the carrier's or forwarder's freight bill, tariff or other contract of carriage. For example, many domestic forwarders and carriers limit their liability to 50 cents per pound. Declaring value takes that amount up to the amount declared.

The majority of these transportation providers have transferred that risk to an insurance company who issues an insurance policy that gives shippers the option of upping the carrier's liability by declaring value and paying premium.

Although subject to the transportation provider's policy conditions, shippers rarely see the insurance policy containing important facts such as deductibles, exclusions, warranties and policy limits.

Common exclusions and warranties may include "dishonesty on part of carrier's employees", "theft occurring while vehicle is left unattended" and "theft of certain commodities such as cell phones, cigarettes, fashion apparel, computer memory and the like."

▶ Cargo Insurance

When purchased, cargo insurance attaches to the cargo while in transit with coverage being extended warehouse to warehouse. Cargo insurance pays regardless if the loss or damage was due to the carrier's negligence. Furthermore, cargo insurance provides protection for the full commercial invoice value plus freight and other costs associated with the cargo.

The chart on the next page offers a quick look at the difference between declared value and cargo insurance.

▶ Frequently Asked Questions

Q. I've been declaring value for many years and our transportation providers seem to pay our claims without much resistance. Why should we consider buying cargo insurance and paying extra if we've had no problem in the past with declaring value?

A. *As a matter of customer goodwill, some carriers are in the practice of paying claims out-of-pocket as a cost of doing business. This practice often leaves the shipper with the wrong impression that by declaring a value they have purchased full protection insurance. Not until claims reach a certain amount do shippers*

PLATINUM
CARGO LOGISTICS

Corporate Headquarters
800-953-9007
www.platinumcargologistics.com

find their carrier's re-evaluating their goodwill practices and forwarding claims onto insurers who have the option of putting up a rigorous defense. In most cases, there is no difference between the cost of cargo insurance and the cost of the declared value coverage provided by the carrier.

Q. What are some of the things not covered when we declare value?

A. *Three significant areas not addressed by declaring value are: (1) that the shipment is not covered "door-to-door." Declared value is valid as long as cargo is in the care, custody, and control of the transportation provider; (2) other losses commonly not provided for include "Acts of God" and any other incidences outside the control of the carrier; and (3) reimbursement of freight charges, packing expenses, forwarding fees and similar costs are also not covered when buying declared value vs. cargo insurance.*

Q. We've been shipping for years without a serious loss. Isn't it throwing away money to start buying coverage now?

A. *No. Experienced risk managers will tell you that insurance shouldn't be purchased only when a company can afford to sustain a significant loss. Think of the maximum value of a shipment. Imagine that entire load being destroyed in an airplane crash or truck overturn. Picture your company being without that money forever. If the shareholders can sustain that kind of loss along with all the other little nuisance losses that occur throughout the year, and can do it without a sleepless night, then your company may be a good candidate for self-insuring.*

Declared Value vs. Cargo Insurance At-a-Glance

	Cargo Insurance	Declared Value
Provides door-to-door protection	Yes	No
Pays whether or not transportation provider's negligence is proven to have caused the loss	Yes	No
Pays for losses occurring outside control of the carrier	Yes	No
Pays shipper for the full invoice value of cargo lost or damaged plus freight and other associated costs	Yes	No
Can pay for expediting replacement goods	Yes	No

ROANOKE TRADE
International Insurance Brokers Since 1935

Insurance programs offered by
Roanoke Trade Services, Inc.
Corporate Headquarters
1475 E. Woodfield Road, Suite 500
Schaumburg, Illinois 60173

1-800-ROANOKE
www.roanoketrade.com