

Managing Freight Liability

Facilitating the movement of or transporting others' property has many inherent risks, particularly if the property is extremely valuable and it is being moved across international boundaries. Unexpected problems and issues can pop up when shipping and forwarding cargo across great distances.

The constantly fluctuating nature of freight contracts further affects those in the transport industry. Contracts can change with each new client, presenting new risks to be managed and new gaps in coverage to be plugged. As the owner or manager of a business in the transport and logistics industry, addressing and combating your vast liability helps shrink your exposure and ensure a profitable future.

Common Gaps in Coverage

Because contracts can change with each client or shipment, liability risks are variable. Most freight liability policies are tailored and try to encompass the entirety of a business' risks.

When constructing your personalized policy, look for any of the following gaps in your freight liability policy:

- **Liability outside the scope of standard trading conditions.** Businesses in the freight and logistics industry will typically use established trading conditions as a baseline for writing contracts and determining liability, such as freight forwarders using the Canadian International Freight Forwarders Association (CIFFA) conditions. However, additional liability may exist outside the bounds of a standard industry contract. For example, if a freight forwarder

is also providing warehousing during the shipment, he or she should consider using conditions from the Canadian Council International Warehouse Logistics Association to figure out additional liability. Determine whether your business' liability extends beyond the limits of standard conditions and whether your insurer can cover this liability.

Unexpected problems and issues can pop up when shipping and forwarding cargo across great distances.

Unburden yourself by managing your freight liability.

- **Liability accepted under tailored customer contracts.** Depending on the contract terms with your customers, you may be unnecessarily accepting large portions of liability. Read contracts carefully before signing and know your obligations. Crafting a policy can help eliminate surprises in your customer relationships, but it can also create damaging trading conditions that are buried in your contract terms. Make sure all parties involved know their obligations under the agreed-upon contract.
- **Errors and omissions, including breach of duty.** Coordinating and transporting customers' shipments requires possessing and providing detailed knowledge on complicated issues such as customs and shipping regulations. Get coverage that includes

Provided by Thor Insurance & Registries Ltd

Managing Freight Liability

errors and omissions and any breach of duty. This can protect your business in situations involving clerical errors, shipments delivered to the wrong location or incorrect advice that causes your customers financial loss. Without proper coverage, your business could be liable for hefty liability claims.

Common Coverages

You should also secure additional common coverages as part of your personalized policy, including:

- **Employers' liability**, which is required if you have employees.
- **Public liability**, which protects against claims arising from injury or damage to third parties.
- **Products liability**, which indemnifies your business if you incur expenses related to damage or injury which arises from supplying products or goods.
- **Pollution liability**, which provides protection if you pollute water, the land or the atmosphere.

Managing Freight Risks

Because your business is liable for shipments of third-party goods, diligent risk management is central for managing your liability. A sturdy freight liability policy is ineffective unless paired with a concerted risk management effort.

You can never completely eradicate your risks and liability, but you can drastically reduce them. Adopt the tips enumerated below as part of your existing risk management strategy:

- Explain your business' trading conditions to your customers before they sign a contract.
- Obtain written instructions from your customers to encourage transparency and good record-keeping.

- Establish clear procedures for issuing and releasing documents.
- Manage any subcontractors with clearly worded contracts.
- Follow stringent procedures to ensure cargo security.
- Adhere to guidelines and regulations for handling dangerous goods.
- Comply with insurer processes for submitting an insurance claim.

Freight liability policies can differ greatly. Seek out specialized advice to help fashion a policy to cover your business' unique risks. Trust the insurance professionals at Thor Insurance & Registries Ltd to craft a policy for your business that helps ensure you can keep delivering cargo dependably for years to come.