

## Note From Our President: Insurance for Shipments

Shipping products and logistics for any business is an expense, which if not examined in detail could be a major drain on revenue. This analysis becomes even more significant with the shipment of valuables. Let's review the options for shipping merchandise.

The normal and most prominent way is to set up an account with a common carrier such as UPS or Fed Ex and pay for freight and insure the daily shipments. Even with a system set up as such, one would immediately encounter the problem that, for example, Fed Ex will not insure parcels for over \$500 in value (there is an exception for jewelry and the DVX Service, which we pioneered to put in place a few years ago). Besides how would one know if for any one shipment, which of the carriers has a better rate or service to offer to the shipper?

For bulk shipments it is customary to have common carriers such as Yellow Freight. Again, one would need to examine the limits of liability that the chosen company stipulates in their contract and whether they are the best rate option for the particular trip. Of course, the United States Postal Service needs to be included as a means to get the merchandise distributed. However, commonly most businesses do not like to wait in line delivering parcels or purchasing stamps and there are further limitations on the amount of insurance offered.

Apart from the insurance options offered by the carriers, there is an option to insure shipments either as a coverage endorsed or attached to a particular policy or by purchasing a specific cargo policy separately. If such cover is made available to a business by underwriters, then each package is insured subject to a deductible per the terms and conditions of the policy and approved for shipment by conveyances indicated, in the territories which the policy covers. Such policies usually offer a lot more favorable insurance rates as well as easy administration and are either subject to monthly reporting forms or annual audits.

One needs to note that there is a potential disadvantage in insuring through such policies that needs to be carefully considered. As I mentioned above, the cover for insuring shipments usually is attached to a policy unless it is a specific cargo policy. For policies where the shipping is one part of the coverage, should the client have an unacceptable claim experience with the shipping, the whole policy and its premium structure as well as renewal could be jeopardized. The same is true for specific cargo policies.

For this reason there are situations where the policy is of a lot more value than to jeopardize its rate or renewal by having shipping claims that are out of the insured's control. The same applies to independent cargo policies, but then if they are no longer offered for such reasons a shipper can always go back to the common carrier options.

Recently, a third option has appeared in the market and that is using internet "Dashboards" to optimize a carrier for a specific shipment. The idea works much like buying airline tickets from A to B on the internet and seeing the various airline prices and

choosing the most suitable price for your purpose. These sites make the solution to a complicated and time consuming logistic comparison for best freight pricing easy and very manageable.

They also offer insurance on the sight at extremely competitive rates. They tend to lean toward valuables as well as regular cargo, and are geared for use by the smallest to the largest shippers in terms of the number of packages shipped. We recommend that you examine this option and compare it to your current logistics program. You can visit our affiliate at [www.transguardian.com](http://www.transguardian.com) and examine their approach to “Insured Parcel Shipping”.

**JSIS Insurance, June 2008**