

THE IMPORTANCE OF SHIPPER'S INTEREST COVERAGE UNDER A FREIGHT FORWARDER'S POLICY

CONTACT

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ABOUT THE AUTHOR

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As the U.S. economy continues to move forward, one of the fastest-growing industries is Logistics and Freight Forwarding. While the term “freight forwarder” is used loosely, it encompasses a broad spectrum of services with respect to logistics, supply chain, and the direct or indirect transportation and warehousing of goods worldwide. More and more freight forwarding startups are entering the space, resulting in a highly competitive environment.

BECOMING MORE ATTRACTIVE TO A SHIPPER

Shippers look to avoid any paperwork, bureaucratic procedures, border issues, insurance requirements, and all possible hassles associated with the transportation of goods, both domestically and internationally. If a freight forwarder, while acting as direct or indirect carrier or transportation intermediary (broker), manages to become a “one-stop hub”, its portfolio is sure to grow. To successfully achieve this, the broker or carrier must have the option to offer “All Risk” Cargo and Warehouse insurance coverage to their clients or prospects, thus insuring the **shipper's interest**.

SHIPPER'S INTEREST IS NOT YOUR REGULAR CARGO POLICY

In essence, both Cargo and Shipper's Interest policies cover goods against all risk of physical loss or damage from any external cause (subject to certain basic exclusions), but there are some key differentiators.

- 1) While a regular Cargo policy is issued to importers and exporters for particular goods and/or merchandise incidental to their business, Shipper's Interest is a policy designed by underwriters taking into account that a freight forwarder will transport an incalculable variety of commodities.
- 2) On a Cargo policy, the insured/shipper is the policy holder, while on a Shipper's Interest policy, the freight forwarder is the policy holder. Insurance is offered through the freight forwarder to their clients (insured/shipper) as a value-added service to attract new business, but claims are paid directly to the client.
- 3) A standard Cargo policy covers one insured in particular, while Shipper's Interest is offered to each of the forwarder's clients on a per shipment basis, at rates and parameters stated upon quoting.
- 4) On a Shipper's Interest policy, the policy holder (freight forwarder) has access to a Certificate Issuing Platform which already calculates premiums and conditions based on the information entered. This facilitates a quick turnaround to their clients.
- 5) Shipper's Interest is an optional coverage that the freight forwarder offers to their clients. They are not obligated to accept the coverage.

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Shipper's Interest coverage serves both domestic and international forwarders and transportation intermediaries, regardless of the size of their operation.

DO NOT MISTAKE SHIPPERS' INTEREST FOR CARGO OR WAREHOUSING LIABILITIES

All freight forwarders, whether asset or non-asset based, should always retain (when applicable) the following coverage:

- Carrier's Legal Liability
- Freight Forwarder's Legal (Contingent Cargo on all conveyances)
- Freight Forwarder's Errors & Omissions
- Warehouse Legal Liability (when applicable)

The purpose of the Shipper's Interest section under their policy is not to undermine the necessity of these essential coverages, as they protect and defend freight forwarders in cases where they are legally or contractually liable. However, when an insured accepts coverage under the Shipper's Interest policy that is primary in responding to such a loss, it is beneficial for all coverages to be kept under a **single insurance carrier** to provide a cushion against damaging their loss history, simplify the claims resolution process, and reduce the potential for gaps in coverage.

CONCLUSION

Freight forwarders and shippers operate in a very competitive environment and require comprehensive insurance solutions. Added services, such as Shipper's Interest policies, are a key differentiator between a forwarder and their competitors. While this growing market segment provides a business growth opportunity for retail brokers, this is a complex coverage, and risks can differ for each freight forwarder depending on the specific services they provide. To learn more about the varying roles of a freight forwarder and the associated risks, view the article found [here](#).

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