logical insurance brokers

The freight forwarder provides cover for cargo losses, right? So why should Importers or Exporters take out cargo insurance?

Wrong!

Here are some important reasons why Importers and Exporters should arrange cargo insurance on their goods.

- As an Importer/Exporter you may be responsible for all loss and damage during the entire voyage, even before delivery, e.g. under FOB Incoterms an importer is responsible from the time the goods are loaded aboard the vessel;
- Carriers restrict their liability for loss or damage to an amount per tonne. For example, Hague Visby Rules provide a limit of 2 Special Drawing Rights (SDR's) per kilo or weight. As of October 2020, 1 SDR= AUD1.68;
- Freight forwarders usually restrict their liability. This limit is typically 2 SDR's per kilo, or 666.67 SDR's per package, whichever the lesser;
- Everyone benefiting from a sacrifice of cargo to save the adventure must pay their share of this due to what is called 'General Average'. General Average is usually included in cargo insurance cover;
- Salvage Charges. These are awarded in accordance with the skill level required to carry out the salvage. These costs are borne by cargo owners and must be paid before release of the cargo. Salvage awards can reach 80% of the value of the cargo and will generally be paid by cargo insurers if cargo insurance has been taken out.

Cargo insurers will generally provide prompt and full payment for damaged/ lost goods where an insured event has occurred and are not concerned with liability issues in relation to other parties.

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