



Forwarder Protect Insurance on Air Freight: Why It's So Important

by Richard Kamppari-Baker, Claims Director
richard@worldinsuranceagency.com

If you're an Air Forwarder, you may ask if Forwarder Protect cover is worthwhile? As airlines carry most of the risk when an incident happens, why is it needed?

Following are a few examples where Forwarder Protect played an important role in protecting our members:

- **Wrongful destination claim:** Due to an administration error, a shipment was air freighted to London, Canada instead of London, England. The Freight Forwarder incurred charges to ship the cargo back to its correct destination, and these fees (over USD 20,000) were covered by insurers.
- **Customs fine:** Due to an employee mistake on documentation, a cargo shipment was delayed at its destination in South Africa and received a customs fine. This was covered by insurers, who handled the delay claim plus the fine.
- **Damage to cargo:** Whilst most claims can be passed to the airline, airlines are notorious for not responding. It is common for the merchant to sue the Forwarder rather than wait for a response from the airline. In one instance, Lufthansa failed to respond for a time extension received from a cargo insurance company for USD 50,000 of food products deteriorated in transit. Insurers appointed lawyers and settled the claim whilst a recovery action was taken against the airline.

Forwarder Protect is designed for Freight Forwarders and Forwarders only. In today's world, the Forwarder is expected to bear a much greater risk than previously, and most service contracts go against them. This may extend to customs fines, uncleared cargo, damage to cargo, or aircraft and documentation errors.

Most of the claims are defending the insured, and the policy is there to cover the costs in doing this, either through the appointment of lawyers, surveyors, or their in-house legal team. Defence Cover is from the ground up, so unless a claim is paid, all the legal fees are paid by insurers.

If and when a claim needs to be paid, it is often expensive in the air freight business. Cargo and freight values are often much higher than sea freight, so claims from the merchant, E&O matters, or customs fines are also high. Insurers have paid claims from USD 2,500 to over one million dollars, and we have seen Forwarders go bankrupt without insurance.

Forwarder Protect covers not only claims arising from your customer, but also the airlines. In the event of leakage, poor packing, or even explosion, the airline will come against the Forwarder. This can be costly from the claim but also commercially, as we have seen multiple Forwarders blacklisted for this. Your insurers will not only handle these claims, but also ensure you have adequate protection to stop unreasonable demands.

For more info on Freight Liability Insurance, please contact World Insurance Services at info@worldinsuranceagency.com.