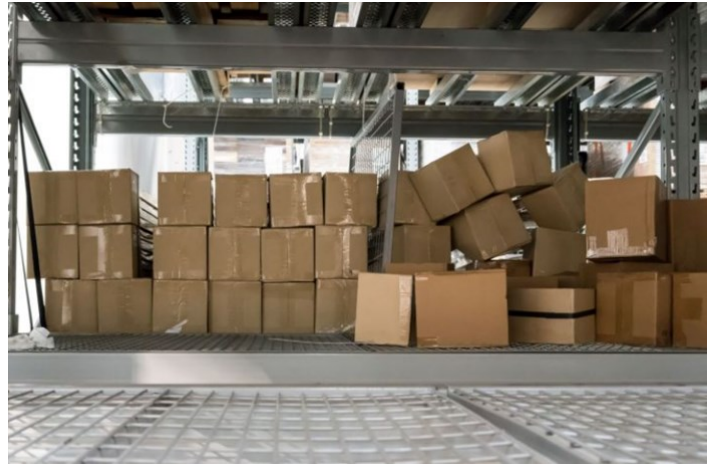




Uncleared/Abandoned Cargo: a Problematic New Trend

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During any economic downturn, cases for uncleared and/or abandoned cargo rise substantially. In the 2008 recession, cases of uncleared cargo rose by over 400 percent. These days, however, carriers are much more demanding when pursuing these costs and may make demands on past outstandings.

Shippers go bankrupt, national banks can't issue Letters of Credit, Consignees' can't afford to pay, or commodity prices fall. There are some scenarios of how cargo gets abandoned.

Almost inevitably, there is a knock-on effect through the entire financial chain during any recession, which will expose the Forwarder to costs on cargo they do not own. These costs will amount quickly, and the carrier will find someone to pay - most likely, this will be the Forwarder.

To help the Forwarder, we propose a few recommendations to minimise the risk:

- Avoid being shown on the master bill of lading as Shipper and Consignee, if possible
- Avoid extremely low value cargo or cargo that could be interpreted as waste, ex. used tires, second-hand medical equipment, waste plastic, etc.
- Check the details of Merchants. Details that just give mobile numbers or a Hotmail email address should provide a warning.
- Avoid Freight Collect shipments for clients you do not know or trust
- Trust your instincts. In nearly all problematic cases, in hindsight, Forwarders say they had a "bad feeling."

While these tips might help to avoid some issues, no one is immune from abandonment or uncleared cargo. Even your best client might have some financial problems and end up leaving you with a bill in the hundreds of thousands of dollars.

There are no better people to handle these cases than insurers. They have unique knowledge of all ports worldwide and, generally, the only solution to this is to mitigate the loss as soon as possible.

The key to handling abandonment is to act quickly. Often new buyers can be found before the demurrage/storage exceeds the value, but, if not, the cargo needs to be auctioned as soon as possible.

Many times, insurers will unstuff the cargo into a bonded warehouse to reduce the cost of demurrage. This will enable time to find a buyer or reduce the overall costs.

When a cargo is deemed abandoned, it is important to follow each country's laws because you do not own the cargo, and you don't want to expose yourself to potential fraud. This can be a mechanism for merchants to make money if procedures are not followed.

To learn more about uncleared and abandoned cargo cover, contact World Insurance Services at info@worldinsuranceagency.com.