



CARRIER LIABILITY VS. ALL-RISK CARGO INSURANCE

What is Carrier Liability?

When goods in transit are lost or damaged, the cargo owner has the right to file a claim to receive compensation from the carrier. However, carriers are only obligated to pay if they are responsible for causing the loss or damage to the cargo. Even if proven negligent, carriers may have limited liability, the coverage in their cargo insurance policies may vary greatly, and they may have legal defenses which absolve them of responsibility entirely. Additionally, carriers are not liable for losses due to “Acts of God” because they are beyond their control. Often liability is limited to a calculation based on the weight or by number of shipping units in a shipment, and not the actual value of the goods.

What is All-Risk Cargo Insurance?

“All-Risk” Insurance (aka Shipper’s Interest) provides the cargo owner with coverage for direct physical loss or damage to goods in transit without the need to prove the carrier’s liability. It is the broadest, most comprehensive form of coverage for cargo. Subject to policy terms and conditions, All-Risk coverage protects goods against all risks from any external cause, except for what is excluded. Coverage includes “Acts of God” like weather-related disasters. The policy allows you to insure the CIF value plus 10% because even if cargo arrives damaged at the destination, you still have to pay the original carrier. Cargo is insured based on its value, regardless of its weight or piece count and can be covered from door to door.

Carrier Liability vs. All-Risk Example

Due to various carrier liability limitations, the maximum each carrier will pay may be limited to the amounts below. With All-Risk cargo insurance, the actual value of the shipment is covered, regardless of mode.

Shipment Details: One carton, 100lbs (45kg), \$10,000 value, freight charges \$1,200

WITH CARRIER LIABILITY ONLY



Ocean Carrier
 COGSA limits to \$500 per shipping unit
\$500



International Air Carrier
 Montreal Convention limits to 22 SDR/kg (approx. \$30 USD)
\$1350



Domestic Truck Shipment (LTL)
 Varies based Bill of Lading
 \$0.50 per lb
\$50



Small Parcel Carrier
 \$100/parcel max
\$100



Storage in 3rd Party Warehouse
 Varies based on Warehouse Receipt
 \$0.30 per lb or \$50 per consignment
\$30 or \$50

WITH ALL-RISK CARGO INSURANCE

*Insured Value = CIF + 10%



Ocean Carrier
\$12,320



International Air Carrier
\$12,320



Domestic Truck Shipment (LTL)
\$12,320



Small Parcel Carrier
\$12,320



Storage in 3rd Party Warehouse
\$10,000