BTX GLOBAL LOGISTICS

Safeguard Your Cargo with BTX

Learn the Benefits of Investing in Cargo Insurance

With over 40 years of experience in transportation logistics, BTX Global Logistics is equipped to handle all of your domestic and international shipping needs. Understanding the importance and benefits of investing in cargo insurance is key to helping us protect you properly.

All cargo within the supply chain is exposed to risk and unforeseen events like theft, natural disasters, hazardous weather, and most recently, a global pandemic. As a shipper, you *can* and *should* invest in All Risk Cargo Insurance to further protect your goods in transit and yourself from any financial loss.

By law, carriers are not responsible for many common causes of loss that occur in transit (i.e. Acts of God, Acts of War, civil commotions, general average, etc.). Even when a carrier is found liable, it is not uncommon for the liability coverage to be less than the actual value of the goods being shipped. Securing All Risk Cargo Insurance can fill this gap by providing additional protection and peace of mind for both domestic and international shipments. Our team of professionals can provide you with options and answer your questions regarding cargo insurance.

Following is an explanation of **Marine Insurance, General Average (GA)** and the difference between **Declared Value** and **All Risk Cargo Insurance** along with a list of the benefits of investing in cargo insurance.

Understanding Marine Insurance and General Average

Marine Insurance has been around since approximately 1300 B.C. and was created to protect goods traveling long distances. However, paying out after disaster became very costly and ruined shipping companies prompting the **Limitation of Liability Act of 1851**. The Act limited the liability of ship owners to the value of their vessel plus the cargo, pending that they were not aware of any problem prior to the incident. For example, the sinking of the Titanic applied the Limitation of Liability Act despite outrage at the time. Many argue that the Act is out of date and archaic in current times, but it is still relevant as illustrated in the recent tragedy in Baltimore where the Dali ship accidentally struck the Francis Scott Key Bridge in March of 2024. This is why protecting your cargo against a disaster with **marine insurance** is a best practice.

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What is General Average?

A General Average (GA) is a partial loss shared proportionally by the cargo owners and the vessel owner. In a GA, cargo owners are expected to contribute financially to the voyage loss and they need to post a financial guarantee (usually in the form of a bond) to have their goods released.

General Average Claims Process

Value of Interest	Claims Breakdown	General Average Contribution
VESSEL OWNER $15,000,000	$\frac{\$15,000,000}{\$29,000,000}$ = 52% x 5,000,000	$2,600,000
CARGO OWNER #1 $8,000,000	$\frac{\$\ 8,000,000}{\$29,000,000}$ = 28% x 5,000,000	$1,400,000
CARGO OWNER #2 $6,000,000	$\frac{\$6,000,000}{\$29,000,000}$ = 21% x 5,000,000	$1,050,000
$29,000,000 TOTAL CONTRIBUTORY VALUE		**$5,000,000** GENERAL AVERAGE CLAIM VALUE

What if I have insurance?

Marine insurance was designed to respond to claims for damaged or lost cargo and the expenses for the GA contribution required to release their cargo.

What if I am not insured?

The cargo can only be released with a signed guarantee by an insurer or a signed bond form from the cargo owner. The responsibility to pay the GA contribution attaches to the cargo. Therefore, the obligation to pay the contributions for the GA lies with the cargo owner. The bond amount will be based on the value of the cargo. This process can take several months or years.

Talk to your **BTX representative today** about insurance and how we can help protect your goods.

Understanding Declared Value vs. All Risk Cargo Insurance

Declared Value is often used interchangeably with Cargo Insurance, however, it is not the same. *Declared Value is not insurance.* Declaring a value does not increase the carrier's scope of liability, it simply allows the shipper to pursue a higher recovery. The shipper must prove a carrier's negligence resulted in loss or damage to the cargo in order to validate the claim.

All Risk Cargo Insurance, on the other hand, directly protects the goods on behalf of the shipper against physical loss or damage according to the policy terms. The shipper does not have to prove that the carrier is legally liable for the damage. If there is a covered claim, the shipper will be reimbursed for its full-insured value or reimbursed proportionally for partial losses.

Advantages of All Risk Cargo Insurance

- Cost per hundred is slightly more
- Concealed damage reporting longer
- Freight charges can be insured
- **Standard Valuation for All Risk Coverage:**
  - Full coverage up to the total value of the commercial invoice + applicable freight charges +10% CIF Markup
- **Broader Coverage:**
  - Damage/loss from an external cause is covered during transportation
  - Acts of God/War are covered
- **Co-insurance Clause Applies:**
  - Value of original shipment must be established. If shipment value is less than insured value, the value to insurance ratio will be applied to the claim amount, resulting in a lower settlement
- Provides Door to Door coverage
- Fully documented claims are resolved timelier than if you were to pursue the carrier

Understanding Declared Value

- Cost per Hundred is less
- Concealed damage needs to be reported within 48 hours in writing
- **Narrower Coverage:**
  - Loss due to act of carrier must be proven
  - Damage due to acts of God/War not covered
- **Co-insurance clause does not apply:**
  - Good choice for covering an underwriter's deductible or when estimating the value of a shipment

Although, All Risk Cargo Insurance is the better alternative for shippers, Declared Value does have its place for some items such as commodities that cannot be insured for All Risk coverage. **BTX can help you secure the best pricing for cargo insurance and answer all of your questions, click to contact us.**

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