

A Guide to the Basics of Insurance



It is a condition of BIFA membership that all Members carry freight liability insurance including errors and omissions cover.

If a BIFA Member sells marine cargo insurance to customers it is a membership requirement that such insurance is placed on an Open Cover Policy arranged directly with insurers or through an insurance broker.

BIFA requires all Members to complete a declaration to confirm the insurance arrangements every year when subscriptions are renewed.

Liability Insurance

A freight forwarder liability insurance policy should be sufficient to, at least, protect the limits of liability set out in the Association's Standard Trading Conditions (STC). Most freight liability policies will have an 'excess'. This is an amount set by the insurer which will be deducted from any claim settlement.

Freight liability insurance protects the forwarder's liability. It does not insure the goods. Marine cargo insurance, which does protect the goods whilst in transit, must be requested in writing by the cargo owner. In the absence of any instruction in writing the forwarder may legally assume that it is not required.

Marine Cargo Insurance

In 2005 the selling of insurance within the European Union was brought into the scope of regulation. However, freight forwarders have been exempt from this regulation when dealing with a commercial customer since 2007. This exemption was extended to retail customers in 2009. It is vital to remember that if you do contract to arrange marine cargo insurance for and on behalf of your customer you must have suitable checks in place to ensure that the insurance is actually effected. If you fail to arrange the insurance, having contracted to do so, and the goods suffer loss or damage you will not benefit from 26(A) (ii) of the limitation clause in the BIFA STC – see clause 11(B).

Commercial

To sell insurance to a commercial customer a BIFA Member must make the necessary declarations on an Open Cover Policy.

Retail

A retail customer is a private individual or micro enterprise (eg. an owner-run small business). Consumer legislation already mandates that when dealing with such customers a supplier has to go to greater lengths to explain contractual terms. When selling insurance to a retail customer a freight forwarder has obligations which are set out herewith:

You should sign and return a copy of the BIFA Code of Practice (which provides insurance to retail customers) to the BIFA Membership Department.

You should register with the Financial Ombudsman Service (FOS).

You will need to create, either a single written company policy, or a suite of such policies to cover the following items:

- an information document detailing that policy restrictions exist and that a full explanation of policy restrictions and exclusions is provided to the customer, highlighting any that may have a consequence of making the policy null and void. For example if the customer has packed goods themselves and/or has not fully disclosed the number and type of all goods to be stored or carried.
- that STC exist that limit the liability of the Company in the event that no insurance is requested.
- that you are registered with the FOS and that you provide details to your customer(s) of the principles of the Code of Practice.
- you will need to establish an independent complaints procedure.

There are other requirements regarding working practices which are detailed in the Code of Practice eg. the training of staff that offer insurance.

Companies intending to offer marine cargo insurance to retail customers as part of their offering should join the voluntary jurisdiction of the FOS.



Financial Ombudsman Service (FOS)

Companies intending to offer marine cargo insurance to retail customers as part of their offering should join the voluntary jurisdiction of the FOS. This is voluntary because freight forwarding is not a regulated industry. For general information you can contact the FOS or visit their website www.financial-ombudsman.org.uk

Company Policies

The content of the company policy/policies will vary from BIFA Member to BIFA Member. BIFA can provide assistance to Members in drafting such documents. However, any such assistance given and flowing from this Guide will be subject to the disclaimer appearing at the end of this Guide.