

# Shipping Insurance - Everything you need to know



## Shipping Insurance

Everything you'd know

---

Table of Content

[Introduction](#)

[What is shipping insurance, and why do you need one?](#)

[Types of Risks that Shipping Insurance Covers](#)

[Physical damage:](#)

[Stock throughput damage](#)

[Rejection Risks](#)

[Exhibition Risks](#)

[Shipping Insurance Benefits](#)

[How do you get shipping insurance?](#)

[Documents needed for Shipping Insurance](#)

[Should I get Shipping Insurance?](#)

# Introduction

While dealing with shipping management, one of your primary concerns is whether or not the consignment reaches the destination safely and within the stipulated time frame. You do everything in your power to ensure that the shipment is well taken care of at every point during the transport. However, several factors are beyond your control as an exporter, like the weather or other natural disasters, political uprisings, mishandling of the goods, theft, etc. These adversely affect your product quality and, at times, make the goods unfit to be delivered at all, resulting in huge losses on your end.

One of the most potent ways to handle such losses is shipping insurance or cargo insurance. Shipping insurance helps you cover a wide range of such accidental losses and can be the difference between you going bankrupt and you getting back up for another round.

## What is shipping insurance, and why do you need one?



When a carrier agrees to ship your cargo, they're legally bound to get the goods insured. This coverage is known as carrier liability. Carrier liability, however, doesn't always cover the full value of the goods, especially in the case of expensive and big-budget items. Therefore, the

best way to get the maximum liability insured is by opting for shipping insurance that is over and above the basic carrier liability insurance provided by the shipping company.

Shipping insurance is a type of protective cover that allows the traders to secure the goods that are to be shipped by them or to them. It protects your consignment from any damage, theft, mishandling, etc., and is generally applicable from the time the goods are shipped until they reach the final destination.

## Types of Risks that Shipping Insurance Covers



Shipping insurance has many variants, each having its own purpose. The best way to select the best shipping insurance for you is through a detailed study of the type of coverage each policy provides, and select the one that performs the best against your requirements.

*Note: While studying each policy, it's also of utmost importance to take cognizance of all the exclusions that are listed out by the insurer.*

Some of the common damages that shipping insurance will cover are:

- Physical damage:

When you're transporting your goods over a longer distance, it changes hands quite often. During loading and unloading of your cargo, sometimes it gets damaged due to mishandling. Sometimes due to heavy storms, road accidents, etc., the shipment gets damaged while in transit. All of this damage is covered under the physical damage coverage.

- Stock throughput damage



Stock throughput risks are the ones that occur when you import the goods and store them in your warehouse before supplying them further. Such coverage provides insurance from the damage caused to the stock while it is stored in your warehouse.

- Rejection Risks



During international shipping, some of the cargo is often rejected by the government authorities due to it not meeting some specific standards. In such a case, the supplier incurs heavy losses due to non-payment for the goods. Rejection insurance covers the cost for such a transaction either fully or partially, depending on the policy.

- Exhibition Risks



Many suppliers ship samples of their products to expos and exhibitions the world over so that their potential customers can get a closer look at them. However, this also risks exposing the products to transportation risks and any other damage caused at the exhibition itself. The policies covering exhibition risks provide protection from such damage.

## Shipping Insurance Benefits

- 1. Sense of Security**

More than anything else, what insuring your cargo gives you is a sense of peace and security. You no longer have to dwell on all the ways in which your cargo can be damaged and get worried sick about it. Once you've insured the goods against all the commonly occurring perils, you can breathe a sigh of relief and focus on running your business.

- 2. High-Risk Protection**

Shipping insurance provides you with a much-needed cover against any unforeseen big-ticket financial setback due to damage caused to your consignment. It gives you the agility that you need, to get back up on your feet again, as the insurance company reimburses you for the losses suffered partially, if not in full.

### 3. **Protection from Mishaps**

A great many tragedies befall upon us at times, and when they do, we must be prepared to face the aftermath. Many businesses suffer heavy losses due to mishaps which severely impact their ability to continue operations. However, if you have insured against an expected set of such mishaps at your workplace, you're most likely to be compensated by the insurance company for them.

### 4. **Protection from 'General Average' costs**

General Average costs are the costs that are borne by all the parties taking part in a trade in the event of any damage caused to the shipping carrier. It's a common principle in international trade, one which can give you many a sleepless night. When the carrier is damaged, the carrier company asks the suppliers of all the cargo on the container to pay a certain amount, without which they do not release the goods. However, if you are insured against these costs, it is your insurer who pays them, not you.

## How do you get shipping insurance?

Once you have decided on the details of your transport and have zeroed in on your choice of carrier, you can contact an insurance broker or an insurance company directly to insure your cargo. A broker is likely to suggest the best policy as per your requirements, in case you do not have enough time on your hands to study each policy in detail. Once you finalize the policy, you need to submit the following documents to the insurance company for them to process your application.

## Documents needed for Shipping Insurance

The following documents are to be provided to the insurer to insure your cargo:

### 1) **Lorry Receipt/ Airway Bill/ Bill of Lading**

Depending on the method of transportation, you will be required to present either of these three documents to your insurer.

Lorry receipts are generally made while transporting your goods via road, Bill of Lading is prepared while transporting the cargo via sea, and the Airway bill is prepared when you ship your goods via air.

## **2) Packing List**

Packing list consists of a list of all the goods that are to be transported and hence insured. You will need to provide the details of nature and the condition of the goods so that the insurer can ascertain whether or not the goods are fit to be insured.

## **3) Invoice**

Your invoice will consist of the details of the consignment, along with key registration information which helps the insurer carry out a thorough research about your financial history as well as the company reputation.

Once your application has been accepted by the insurance company, they will provide you with an insurance policy. Your insurance policy is the single most important document at the time of filing a claim by you. The policy acts as proof of insurance and consists of all the terms and conditions under which the insurer has agreed to insure your cargo.

# Should I get Shipping Insurance?

This is a contentious question, which almost always sparks lively debates whenever it has been raised. Think of a safety valve, something that is rarely used but is a vital part of any setup. Similarly, your shipping insurance is the safety valve of your shipping management setup. You may not use it often, but that doesn't take anything away from how important it is.

As any veteran would tell you, never think about the countless times when you insure your cargo and nothing happens to it. Instead, think about that one time when you don't insure it and something does happen. This is why it's vital to secure your cargo with an all inclusive, all pervasive shipping insurance policy.