

# Cargo Insurance: Who Needs It?

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More than 90% of import cargo moves to the US do not have any insurance, according to Steve Fodor, Director at Association For Trade Compliance. Writing in a recent blog, Fodor said that, while cargo insurance costs about 0.5% of a shipment's value, most importers do not purchase this coverage.



He reported many reasons why this was the case. The widespread assumption that business insurance covers shipments was usually wrong, Fodor said.

"Most insurance policies do not cover cargo in transit, or if they do they place strict limitations on that coverage."

Similarly, the assumption that the supplier will have covered the cargo insurance was usually wrong. "The terms of sale for products purchased determine whether or not the supplier provides insurance coverage. Since most products are

purchased on an FOB basis the supplier is not required to provide insurance coverage. Even shipments purchased under CIF terms are often only insured to the first US port and any damages or losses incurred after that point are not covered", said Fodor.

Finally, the excuse that "nothing bad has ever happened to any of my shipments" might be true, but just because an importer has not had any past problems was no guarantee that there would not be a loss in future. "Do you want to risk losing tens of thousands of dollars just to avoid paying a small insurance premium? Seems risky to me", concluded Fodor.

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