Freight Forwarder Liability Insurance

INDIAN MARKET TRENDS

Rapid Multimodal Expansion
Growth in multimodal transport increases logistics complexity and operational risks in India.

Infrastructural Transformation
National initiatives like Gati Shakti drive infrastructural changes impacting risk and underwriting.

Rise of E-commerce
Increasing e-commerce volumes add to claim frequency and operational vulnerabilities in logistics.

Insurance Market Overview
Marine FFLI and MTO liability premiums total around USD 2.5 Mn with a stable loss ratio of 60–70%.

Key Loss Drivers
Misdelivery and Bill of Lading errors are major contributors to liability losses in the logistics market.

Indian Market Size
Indian Freight and Logistics market stands at USD 300 Bn currently and is expected to grow at CAGR of 8.5%

ROLE AND DEFINITION

Freight Forwarder Role

Freight forwarders arrange transportation from origin to destination acting as intermediaries for importers and exporters.

Role Distinction in Freight

Agents coordinate transport without owning assets and have limited liability; carriers own assets and bear full delivery responsibility.

Liability and Control

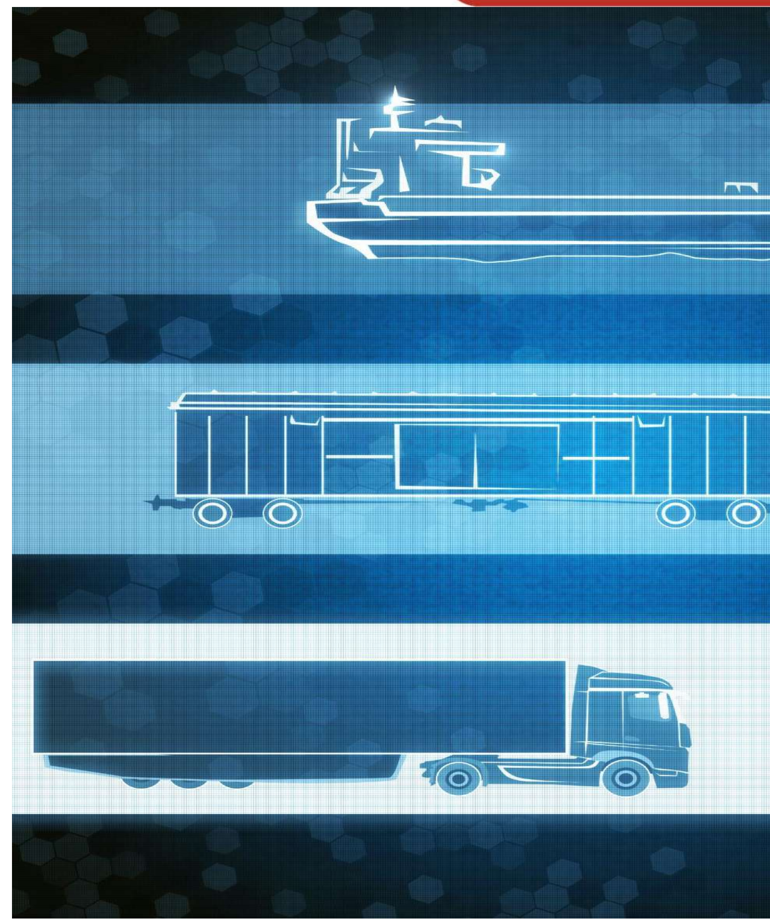
Control over cargo and issuance of transport documents affect liability and operational risk between roles.

Impact on Insurance

Understanding operational roles influences liability, risk transfer, contract structure, and insurance underwriting requirements.

TYPES

- Freight Forwarder
  - Agent
    - Sea
    - Road
    - Rail
    - IATA Agent (International Air Transport Association)
  - Carrier
    - NVOCC Non Vessel Operating Common Carrier
    - Air Consolidator
    - Road Transporter
    - Multimodal Transport Operator
    - Express Courier



INSURANCE COVERAGE

Aspect	FFL Insurance
Who buys it?	Freight Forwarder
What is protected?	Legal liability
Basis of claim	Forwarder negligence
Claim paid to	Reimbursement to Forwarder / Third-party claimant
Covers Acts of God / Force Majeure?	Not Covered
Legal Liability for Cargo Loss/Damage in Custody	Covered
Covers misdelivery?	Covered
Errors & Omissions (Documentation Risk)	Covered
Third Party Liability	Property Damage & Bodily Injuries covered when happened during Logistics operations
Environmental Damage	Yes – Only if Inland Damage On Ocean its covered by Protection & Indemnity Insurance

LEGAL FRAMEWORK IN INDIA

Multimodal Transport Act, 1993 (MTO)
- Single-point liability for entire transit (all modes)
- Defences: Force Majeure, Act of God, war, inherent vice, faulty packing, consignor fault
- Trigger: Issue of MTD

Carriage by Road Act, 2007
- Applies to road carriers (consignment note)
- Defences: Force Majeure, Act of God, govt action, inherent defect, consignor fault
- Owner's risk: Still liable if negligent

COGSA (Carriage of Goods by Sea Act)
- Applies to international sea transport
- Defences: Force Majeure, Perils of sea, fire, war, faulty packing, etc.
- Trigger: Bill of Lading + loading

Carriage by Air Act, 2009
- Applies to international air cargo (India)
- Defences: Force Majeure, Inherent defect, war, packing fault, authority action
- Trigger: AWB + cargo acceptance

Public Liability Insurance (PLI) Act, 1991
- No-fault liability for third-party injury, death, or property damage
- Arises from accidents involving hazardous cargo (leak, fire, explosion)
- Liable even without negligence

Act	Key Ramifications
MTO	- Full exposure for loss, damage, delay across all modes - Cannot escape liability by blaming sub-carriers - Needs strong back-to-back contracts & insurance
Carriage by road	- Exposure to declared value risk (higher liability) - "Owner's risk" defense weakened if negligence proven - Needs clear role definition in contract
COGSA (Sea)	- Treated as contractual carrier during sea leg - Liable up to \$500/package (or higher if declared) - Must align with ocean carrier terms (back-to-back BL conditions)
Carriage by Air	- Becomes liable vis-à-vis shipper - Exposure to weight discrepancies, delay, DG compliance issues - Needs precise documentation & airline contract alignment
PLI Act, 1991	- No-fault liability for third-party injury/property damage - Mandatory Public Liability Insurance cover - Exposure from leak, fire, explosion during handling/storage

INSURANCE COVERAGES

Forwarder Liability Insurance (FFLI)

- Comprehensive package policy for forwarders
- Covers both agent and carrier exposure (NVOCC / MTO / 3PL)

Marine Cargo Liability

- Covers legal liability for loss or damage to cargo
- Applicable when acting as: NVOCC, MTO & 3PL
- Includes carrier-like obligations

Carrier's Legal Liability (Road / Warehouse)

- Covers risks during: Road transport, Storage / warehousing
- Applies to liability as: Carrier & Warehouse operator

Public Liability Insurance (PLI Act, 1991)

- Covers third-party injury or property damage
- Mandatory for hazardous cargo handling
- Includes no-fault liability exposure

Cyber / Digital Risk Insurance

- Covers: Data breaches, System failures & Platform risks
- Critical for digital / tech-enabled forwarders

NVOCC – Non Vessel Operating Common Carriers
MTO : Multimodal Transport Operators
3PL : Third Party Logistics

CHALLENGES AS AN INSURER

Underwriting Challenges

- Understanding Risk Exposure : Agent vs Carrier
- Multi-law exposure: MTO, Road, Sea, Air → overlapping liabilities
- Contract gaps: Back-to-back contracts may not fully transfer risk
- Documentation risk: Errors in Receipts→ high claim frequency
- Hazardous cargo (PLI): No-fault third-party liability
- Aggregation risk: Multiple shipments / warehouse accumulations

Claims Management Challenges

- Liability identification: Which law applies?
- Involvement of multiple parties : Multiple parties (carrier, sub-carrier, FFL)
- Quantum disputes: Weight vs package limits, declared value cases
- PLI claims: Immediate payout for public injury/property damage

CLAIM SCENARIOS

Facts:

- Exporter shipped goods worth ~₹13.8 lakh to USA
- Payment was through a Letter of Credit (LC)
- Forwarder issued a Forwarder Cargo Receipt (FCR)
- Key mistake : Wrong port of loading was mentioned in the FCR, it showed wrong port
- Because of this discrepancy: Bank refused to honour LC
- Exporter: Didn't get payment & Didn't get goods back

Claim :

- Freight forwarder was Held liable
- Reason: Incorrect documentation = Negligence in service
- Award: Full cargo value Plus compensation and costs

Facts:

- Exporter shipped goods to an overseas buyer (Dubai)
- Goods handed over to a shipping line for carriage
- Payment for initial shipment not received
- Original Bills of Lading (BLs) retained by bank
- Carrier delivered cargo without original BL
- Delivery made despite:
- Non-payment by buyer
- No surrender of original documents
- Considered unauthorized / wrongful delivery

Claim :

- Exporter filed suit in India for - Financial loss | Negligence | Breach of contract
- Trial Court : Ruled in favour of exporter


25
years of
keeping promises
25 Years
ONE IL Team
CELEBRATING
A LEGACY OF TRUST

Thank You