

To: Transport Industry Operators

## **Control Liability Insurance Costs**

The most-discussed topic among buyers of forwarder insurance recently must be on rising premiums. Whilst it is true that insurers are revising premium upwards for the hike of reinsurance costs indirectly caused by terrorism and wars, it is undoubtedly that some are taking this opportunity to recover some of the lost grounds over the past years.

Insurers and insureds have been playing a seek-and-hide game for years. Unfortunately, there is tendency that the two are increasingly dubious of each other, aggravated by the hardening insurance market. The perennial conflict between the two has begun to eat into their mutual trust – the pillar of any workable insurance. Result? Insurers are no longer able to master the once effective underwriting tools for premium accuracy to reflect the risk exposure of the freight industry; hence they have no choice but to be led by their feeling in pricing. On the other hand, genuine insurance buyers are even more puzzled as to whether they have been charged excessively.

No one could deny that there is intrinsic conflict of interest between the two. Insurers would certainly want more premiums than claims; and the insured would like to see lower premium. Neither is right or wrong; insurance is but one kind of commercial deals. Importance is that mutual utmost good faith is reasserted so that the insurers are satisfied with the premium they receive and the insured with what they pay. This could only be achieved by action from both sides moving towards each other.

Here are a few suggestions for the INSURERS

1. Better underwriting transparency to buyers on how premium is calculated.
2. Clear definitions of vague terms affecting premium, such as GFR.
3. Develop workable substitute criteria of rating other than GFR and throughput.
4. Hire underwriters who understand the accounting and operations of transport operators.
5. Reciprocate good information with good premium.

And, for the INSURED

1. Always fill out the proposal / renewal form to its fullest extent as much as you could, as it forms the basis of your insurance;
2. It is not true that you would pay more for more information provided. Insurers are skeptical. One certainly gets better than average deal if the insurer has trust in you.
3. Leverage your position by always obtaining quotations from more than one insurers before any decision.

Brokers could play an important part. A professional broker must be enabled to present a good case to insurers with all material information, or else it could be detrimental to the insurance subsequently arranged. Of course, they must be knowledgeable both in transport and insurance, and courageous enough to tell you the dos and don'ts.

Until lately, the Asia Pacific forwarder liability insurance market has been monopolized. The tough conventional insurance market has attracted more insurers to jump on the forwarder liability insurance bandwagon. Whilst this has provided more choices to the consumers, competition has caused insurers to become tougher in paying or even avoiding claims. This is particularly the case if compounded by misunderstanding of information upon which insurance is placed, or that a claim is not presented professionally. They respectively may cause insurers to avoid a claim for fundamental breach by misrepresentation and for technical reason.

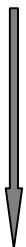
To conclude, a right cover does not equal to expensive premium; a good premium, however, could be deceptive. The best way to control cost of insurance by users is to understand your individual insurance requirements, clearly reflect them to insurers, and shop around.

Simon Chan and Richard Chan

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A normal claim cycle is like the following:-

Cargo damaged/lost. Potential claim is imminent.



Worry starts. Where does the company stand? What should be the most appropriate next step? Is a survey required? What surveyor? How to respond to a claim notification from client? **Should the claim be reported to my insurer?** What documents to gather? What are the key aspects to look for to protect the company's interest? **Could I pass the ball down the line? Do I forget to hold someone responsible? Should a time extension be granted?** What should be an appropriate claim handling strategy? Who monitors the claim progress? Who does the co-ordination with my insurer ensuring the company's interests is not prejudiced? **When would the company get reimbursed for a valid claim?**

Report the claims to Sun Hing and you are worry free. Your Claims Handling could never be easier!

Professional risk management consultants take care of your worry and trouble (deleted above) in case of a claim, even if you do not carry liability insurance - Feel Free to discuss your needs with Simon or Richard.