

To: Transport Industry Operators

**Making the Best out of a Changing
Forwarder Liability Insurance Market**

It took twenty years for the near monopolized forwarder liability insurance (FLI) market to dismantle to become one near perfect competition. FLI has evolved from being a special class to 'commodity' like insurance. More insurers are interested in the game; increasing number of forwarders sees the importance of insurance to their operations. No doubt the answer from any forwarder to the question 'whether you are liability insured' is very different now compared to that of two decades ago. Forwarders today are flooded with many choices of underwriters and insurance intermediary service suppliers providing ostensibly homogenous cover and service. 2005 offers an unprecedented time for forwarders to review their risk management position for long-term protection of their operations and bottom line. This is because competition drives down premium, and the 911 impact on insurance costs is dated.

Forwarders buy insurance with varied motivations. Some instrumental to get deals from business partners; majority however look for real good protection, good after sales supporting services and preferably also low premium. Forwarders look beyond operational and catastrophic loss protection for claims support, interactive advices on demand, problem solutions, and active risk management advices.

How then can forwarders make the best out of a changing FLI market? The situation is not as simple as it seems. There is a catch.

Standard FLI naturally brings cost saving welcomed by forwarders whose business is suffering from falling margin. However, forwarders are not alone as modern insurers too have to relentlessly cut costs to stay afloat, notably by suppressing headcounts and relying more on the Internet to provide service. Major FLI insurers have frozen or even reduced their payroll to meet shareholders' expectation on investment return. These inevitably undermine service. Whilst the Internet is good to substitute human for provision of services of standard and repetitive nature, it is handicapped in offering services with individual touch to meet the demands of freight forwarders operating in a dynamic liability regime.

The burden of insurer service to forwarders is thus shifted to insurance brokers, who are used to running only as easy go-betweens. This change has caught many insurance brokers unprepared. On one hand, similar cost pressure also affects insurance brokers. Merger and acquisition, redundancy, and consolidations of insurance brokers often hit the headline of insurance news; on the other, they could not expect insurers to provide services to the insured directly as in the past. They now have to take much more active roles in serving their clients – in other words, instead of cutting cost, insurance brokers are required to beef up their in-house service team, meaning higher costs, paradoxically. Whilst this is the necessity, what is the reality among brokers?

Investment in claim support manpower is a fair indicator of whether an insurance broker is committed to service perfection, or still prefers to stay put as a pure go-between. Chance is there that a thrift broker can still hang on to business until the very day a nasty claim strikes and its client forwarders do not get the expected service and therefore leave. If however a policy year quickly passes and nothing happens, the thrift broker 'deferring' staff investment saves. The motto is "We can always do it tomorrow". After all, there is 'NO' burning pressure from its clients for service. Few brokers pay too much attention to that it takes time to train dexterous logistics and forwarder claims handlers.

In fact, few forwarders realize there are many more other useful services that could be available from liability insurance brokers. Whilst these are not musts, the following services, if available, are the other good indicators of the service commitment of your service provider.

- Full claims handling services
Case discussion, draft reply, and handle claims in respect of a policy placed through the broker.
- Management of litigation
When law suit is inevitable, the insurance broker should actively involve in claim management, give professional opinion, and watch closely instead of just letting the insurer and its appointed lawyer follow the case through. It is wrong to blindly believe things would be fine in the hands of insurer. It always pays to be careful to ensure your full right under the arranged insurance, for which premium is paid.
- Forwarder documents
Review your transport documents, offer amendment suggestion if any required with valid reasons, and be able to negotiate with your insurer such that your transport documents become insurable documents.
- Special contract advice
Willingness and ability to comment and recommend solutions on for example contract for particular clients, especially when neither HBL nor HAWB is issued.
- Around the clock Liability advisor
Willingness and ability to offer advice on demand. Forwarder managements making insurance decision tend often to overlook the importance of external claims and liability consultancy. Staff in the front line often requires timely advice on the forwarder's liability position for certain action or non action. The accessibility of reliable and timely external opinion could well save the forwarder from huge potential claims.
- Ownership of information
Service supplier should understand their role. Therefore broker must not unreasonably withhold claims statistics from insurer in renewal time to disable you from making the best out of the insurance market by shopping around. Committed insurance brokers retain clients by service, not by funny measures.

The current liability insurance market clearly works for the cost advantage to forwarders. Now is the time unprecedented for forwarders to think about and review their insurance protection. What you get is what you pay. Are you really getting what you pay? Smart insurance buyers of today know how not to be somebody's prey.

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Multi-modal transportation involves far more complicated liability regime than port-to-port or airport-to-airport carriage. Pure international sea or air transport often affords better protection by international conventions. Conversely, multi-modal transport entails a variety of operational risk elements on top when the cargo is in- transit warehouse and during overland delivery. Fortunately, these risks are controllable but not without deliberate efforts. Sun-Mobility is the popular risk managers of many multi-modal operators providing professional assistance in liability insurance, contract advice, claims handling, and as a matter of fact risk consultant for their staff around-the-clock.