

31 January 2007
Ref : Chans advice/73

To: Transport Industry Operators

Air Freight Forwarders under Montreal Convention (MC)

The air freight market in 2006 was so unpredictable and far from expectation for most forwarders. Unfortunately, claims like to haunt more when market is competitive and yields are low. At the same time, Montreal Convention (MC) coming in place of the Amended Warsaw Convention (AWC) requires forwarders to assume stricter and higher liability per kilogram of cargo carried and for less contractual defence – see Chans Advice 72 for details.

MC implies higher Budget and Manpower

The change of liability topography for air forwarders means that a claim will not be thrown out or dragged upon so easily as in the past. This is particular true for small to medium size cases. Unless a forwarder is willing to settle all the times, it has to prepare to set aside more money and manpower to deal with claims.

The exposure to air forwarders is complicated further when multimodal services are offered as part under the HAWB, or as additional services outside the HAWB. The shield under the MC is NOT available to services outside origin and destination airports. While this is of no difference when AWC was in effect, the point to note here is that air forwarders will be more likely be dragged into legal battles given that claimants, or recovery agents in place, have higher chances to get settlements from air forwarders under the MC compared to the AWC. They will be more eager to fight for compensation from air freight forwarders under the new convention.

Result: It is expected that claims outlay and manpower to deal with them for forwarders will increase

HAWB

The degree of protection under HAWB terms lies in how it was constructed. For cost reason, we see great too many air forwarders not having their HAWB competently drafted particularly in areas governing before and post airport services. It is where the greatest exposure lies.

Suggestion: Review your HAWB NOW. A competently drafted HAWB enhances the chance of successful defences. After all, you are required to reprint your HAWB to incorporate the MC.

Often Neglected Areas

Make sure MC is made reference to in respect of air transport service in Logistics and Distribution Centre service contracts. Make sure that if the terms in these contracts assume

greater liabilities than those under your HAWB you should approach your lawyer for opinion and your risk consultant for appropriate corresponding insurance solutions.

If you would like to know more about how the MC is going to affect you please feel free to contact us.

The Chinese New Year is around the corner, all of us at Sun Mobility would like to extend our best wishes to the Chan Advice readership and their families. May the Chinese New Year of the Boar bring us all health, wealth and happiness.

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If insurance has already been part of your annual budget. Congratulations! You SHOULD be protected, if you really know your rights and obligations under the procured insurance. Far too many forwarders know how to buy forwarder liability insurance but do not know how to maximize available protection from the arranged insurance. You cannot simply rely on the service of your insurer.

At Sun Mobility, we advocate service and we mean it rather than giving lip services. We invest in a strong and professional CLAIMS team at our client's disposal. Check out if your existing channel has a team of FULL TIME claims handlers. Our TEAM OF FIVE, all have years of senior claims role in shipping lines or forwarders, stands by virtually round the clock at your service.

Give us a call at 2299 5511 or visit our website www.sun-mobility.com for details of our services and resume of our claims team.