



FREIGHT FORWARDER LIABILITY INSURANCE (“FFL”)

Background

Logistic industry is a highly mature market in Hong Kong. Operators are in various operating models and scale ranging from local to multinational air, sea or land transportation, godown, container depot or quay operation etc. While operators are pumping in resources and attention to develop their business, they are at the same time exposed to numerous risks embedded specifically in such trade, which may erode any reward one may have accomplished. To mitigate such risks, AIG Insurance Hong Kong Limited (“AIG”) provides a total solution with an objective to afford the industry growing in a worry free operational environment.

Relevant Trades

- Air / Sea / Land freight and logistics operator
- Road Carriers
- Warehouse Keepers
- Customs House Brokers

Risk Exposures

- Liability for loss of or damage to cargo
- Liability for errors & omissions and fines & duty to customs authority
- Liability to loss of or damage to third party property and bodily injuries

Relevant Laws & Regulations

FFL indemnifies you against legal liability under the following scopes of laws and regulations:

- Contractual Liability under:
 - Bill of Lading
 - Airway Bill
 - Standard Trading Conditions
 - Bespoke Contracts
- Legal Liability under:
 - International Conventions
 - Mandatory Maritime and Transport Laws

Applicable International Conventions

- Sea Freight: Examples, Hague Rules / Hague Visby Rules
- Air Freight: Examples, Montreal Convention / Warsaw Convention

Scope of Insurance Cover

FFL provides covers for you against legal or contractual liability arisen under the Relevant Laws & Regulations whilst you are in the provision of services under the Relevant Trades in the insured territorial limit including expenses incurred therefor and other contingencies including but limited to:

- Liability for damage to cargo
- General Average or Salvage contribution
- Liability for Errors & Omissions and Fines & Duty to customs authority
- Liability towards third party; and the related:
 - Legal expenses
 - Mitigation cost
 - Debris removal cost
- Uncollected cargo Cost

Main Exclusions

- Excluded Properties:
 - Money, coins in any form
 - Livestock, blood stock, living or creatures in any form
 - Precious metals, precious or semi-precious stones
 - Self-propelled vehicles in any form whilst it is moved by its own power or on tow during the course of transit except it is transported as non-mobilized cargo
 - Property owned, hired by, leased, loaned to the Insured
- Other Exclusions:
 - Confiscation by Authority
 - Defamation, libel & slander
 - Financial risks
 - Inventory shrinkage, unexplained loss
 - Duty, tax, penalty, fines
 - Loss of life or bodily injury unless otherwise insured (except for insured under third party liability)
 - Guarantee
 - Pollution and contamination
 - Punitive or exemplary damage
 - Reckless or dishonest conduct of the Insured
 - Wrongful release of cargo (except for insured under Errors & Omissions)

Claim Cases for Reference

Case 1

ABC Logistic Company is contracted to deliver a 40 feet full-loaded container of electronic parts from a factory in Shenzhen to Yantian Cargo Terminal for an onward transit to Italy by sea. The land transit was subcontracted to another transportation contractor. Upon arrival, it was discovered at the consignee’s warehouse that 205 cartons of electronic parts were missing. Eventually, investigation revealed that the missing cargos might have been stolen during the transit from Shenzhen Custom to Yantian Cargo Terminal. Further, the driver of the subcontractor had fled. Ultimately, ABC Logistic Company had to indemnify its principal for their loss of US\$ 13,000.

Remarks

Today, logistic operator will under various circumstances subcontract part(s) of the services to third party service vendors during the course of transit. Irrespective of whether or not the logistic operator is the immediate or direct responsible party for the liability resembled in this case, it is primarily liable for the loss caused by its subcontractors of all levels.

Case 2

A shipment of 1 40 feet full-loaded container of toys was shipped from overseas to Hong Kong. In order to catch the peak season, the consignee requested the logistic operator to release the cargo before the original Bill of Lading arrived. In view of the long term business relationship with the consignee, the logistic operator did so as requested in



the absence of the required document. Eventually, the consignee after having taken delivery of the cargo vanished and disappeared without paying for the cargo. The shipper thereby filed a claim of US\$90,000 against the logistic operator.

Remarks

In this case, the logistic operator released the cargo in the absence of a relevant document which was a sufficient proof of its negligence and was therefore obviously liable for the alleged claim.

Case 3

A shipment of machinery was shipped from Guangzhou to USA whereas it was repacked in Singapore before onward transshipment. Upon unpacking the full-loaded container, a machine shifted its position which hit an employee of the consignee causing his injury. Upon investigation, it was found that the machine was not properly mounted to its position which resulted in the incident. The consignee subsequently filed a claim of US\$100,000 against the logistic operator.

Remarks

When the cause of the injury was found to be caused by the negligence of the logistic operator in performing its duty, it is liable for the alleged claim.

Case 4

A freight forwarder, in addition to arranging delivery of goods with own bill of lading, was also instructed by the client instruction to assist in custom declaration for import and export shipments. Due to an operational mistake, the freight forwarder received a writ of summon from the government against their alleged wrongful declaration of some shipments with a penalty of over HK\$200,000. The freight forwarder reported the claim with documents to their FFL Insurer AIG. Having evaluated the circumstance, AIG immediately instructed their lawyer to represent the freight forwarder for the case. Based on all the facts and circumstantial evidences gathered, the lawyer proficiently defense for the freight forwarder and effectively bring down the penalty to only several thousand Hong Kong dollars and the case was finalized within short time.

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Remarks

Litigation with governmental authority on matters of such background is highly technical which requires expertise legal advisor of the field. Leverage on our global resources, AIG would be appointing the appropriate professional representing the Insured's interest.

Unique Selling Propositions of AIG FFL

- A truly comprehensive insurance package protecting the Insured from most possible risk exposures
- Unbeatable global network which provides you with resourceful technical support
- Specialist global claims management and handling services
- Global professional loss prevention services from AIG Marine Loss Control Engineering (MLCE)

Important Notes

- Claim cases cited in this Fact Sheet are based on actual incidents to show how a freight forwarder can be exposed to the risk of loss and liability for damages. Please note that the parties named, place specified or extent of loss herein are modified to ensure confidentiality and the examples are illustrative only and not to be relied on to justify coverage in any particular situation.
- This Fact Sheet is intended as a guide to coverage benefits only. The precise scope and breadth of policy coverage is subject to the specific terms and conditions of the policy wording.
- This Fact Sheet is designed to bring to you an overview of AIG's FFL selling propositions and does not constitute any part of the insurance contract. Should you need professional advice on an insurance contract tailored for you, please refer it to your Insurance Consultant or contact our nominated Professional Consultant named in our cover letter.