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INTRODUCTION
INTRODUCTION

At Cerasis, we provide comprehensive freight claims management. Why? It’s something all shippers, at some point, will eventually face. Sometimes this involves a huge damage or loss claim, sometimes it’s much more simple. We provided this service, as a value add in addition to many other services, because as shippers used our transportation management system, we found that one area that most shippers are the least knowledgeable in is that of claims for freight loss and damage. However, this does not mean that an understanding of claims isn’t vital to running an efficient transportation and logistics department.

The late William J. Augello, co-author of Freight Claims in Plain English, had a passion about this topic as few others have. According to Brent Primus of Logistics Management said: “I believe that there are at least two reasons why Bill felt so strongly about the importance of understanding claims.

The first reason is financial. Unrecovered claims have a direct impact upon the bottom line of a company—and the tougher the economic times and thinner the margins the greater the impact. As depicted in the accompanying chart, if your company operates at a 5 percent profit margin, to recoup the net revenues that would be lost by failing to recover a $1,000 cargo claim, it would have to generate $20,000 in sales!

Second, Bill believed that this knowledge is vital for shippers because they’re on their own when it comes to claims. For carriers, whose core business is transportation, the processing of claims is an integral part of their business, and all but the smallest of carriers are quite knowledgeable and very competent when it comes to defending against claims. For most retailers, manufacturers, and distributors, the transportation function is an unwanted headache—and claims represent a migraine.”

Further, George Pezold, co-author with Bill of Freight Claims in Plain English, emphasizes that: “Knowledge of the basic legal distinctions and the applicable laws and regulations is critical in dealing with cargo claims.”

In that spirit of Mr. Augello, we bring you this freight claims management e-book to give you more knowledge. We hope you enjoy!
Chapter One

Freight Laws You Need To Know
Freight Claim Laws: The Various Laws You Need To Know

Freight claim loss is almost a taboo subject in modern shipping. No one wants to touch it, but it’s important to know which freight claim laws govern certain modes of transportations, allowing everyone to understand when and if a claim is appropriate. Let’s look at some of these freight claim laws and what they mean for freight transportation liability.

The Carmack Amendment

The Carmack Amendment is among the top governing legislation of freight claims laws. It protects buyers and sellers against undue damage on the part of the carrier. However, an Act of God, a public enemy, a shipper’s negligence, government-issued policies and inherent vice of goods can exempt carriers from carrying the responsibility of liability if a freight loss occurs, putting the pressure on shippers to follow best practices in shipping. The mode of transportation dictates additional stipulations. Yet, it also means that carriers have a duty to disprove allegations of negligence, so shippers need to understand their own responsibilities with respect to proper packaging and selection of transit modes. Some commodities, such as livestock, can also fall under the inherent vice or nature of shipped goods

Carriage of Goods by Sea Act (COGSA).

The COGSA dictates international ocean shipping liability, comparable to the Carmack Amendment. However, an ocean carrier has up to 17 possible defenses, but a given carrier must also show that the carrier is free from any negligence that could have resulted in damage. Under the Carmack Amendment, as explained in Part II of the Carmack Amendment post, buyers have up to nine months to file a claim. But, the COGSA only allows three days from delivery, reports Brend WM. Primus, J.D., to file.
This means goods transported by ocean must be inspected at the earliest possible time upon delivery, if not immediately upon delivery, to identify possible damage and begin the claims’ process. If the claim is valid, COGSA only allows for one year to file a legal suit for damages, depending on the scope of damages, unlike two years allotted under Carmack. Furthermore, the COGSA limits liability to $500 per package, so larger, more expensive items may be riskier to ship via ocean-vessel.

**Air Cargo.**

Air cargo liability laws are broken into international and domestic categories. Depending on the air carrier used, the carrier’s specific tariff classification for a shipment sets the limits of liability. Thus, limitations may be seven days or less, and the financial liability may be less than $50 per package. This means that shippers must take on the responsibility of actively preventing damage from occurring through proper packing, packaging and stacking of air shipments.

Concerning international air shipments, the limitation sits at $12.95 per kilogram, which converts to approximately $5.87 per pound, and a claim’s filing window of 14 days from delivery. If a shipment is delayed, the filing window may be extended up to 21 days. Since both air and ocean shipments have specific cargo limits of liability, how does a seller protect himself if damage occurs that is outside of the carrier’s liability?

**Insurance and Carrier’s Limit of Liability.**

Insurance is the answer. But, it is important to differentiate between cargo insurance and cargo liability insurance. The latter refers to the insurance purchased to cover a carrier’s defined liabilities with its respective laws. However, high-value shipments, such as electronics and heavyweight items, need to be protected against damage. Therefore, carriers often offer cargo insurance to provide added peace of mind to shippers. Of course, shippers must pay for cargo insurance as part of the freight bill, but the protections it provides can go a long way if damage does occur, even if it is the fault of the carrier, when a shipment’s value exceeds the specified limits of liability.
What Does It All Mean?

In general, the Carmack Amendment governs domestic, on-ground shipments, and other freight claim laws govern ocean and air transport limits of liability. Since a typical shipment in modernity could easily involve a combination of modes of transportation, an intermodal shipment, it is important that you understand how these laws translate into the value covered by the carrier without purchasing cargo insurance.

If you do have to file a claim for carrier-related damage, remember to include the original invoice, the original receipt for the paid freight bill and a repair or replacement invoice when filling freight claims. This will speed the claims’ approval process and help to prevent further delays or setbacks. Thus, many sellers opt to work with third-party logistics providers to handle all claims and freight loss issues. But, how do freight loss laws affect intermediaries and third-party entities. In the next blog post, we will focus on unique aspects of freight loss claims and laws for these organizations.
Concealed Freight Damage: NMFTA Changes Reporting Window Effective April 18, 2015

As the world becomes hyperconnected, the demand for rapid response for concealed freight damage, general freight damage or missing items from shipments has changed. On April 18, 2015, the National Motor Freight Traffic Association® has amended the NMFC rules regarding the required time frames for reporting concealed freight damage. Since third-party logistics providers (3PLs), especially those involved in order fulfillment and shipping processes, have a duty to ensure accuracy and delivery of merchandise, the NMTA®'s decision to reduce the reporting time frame will greatly impact the course of business. However, you must understand what causes damage, how it plays into this decision and how it will change business processes in transportation management services. Near the end of this post, you will see the full legalese of the changes made by the NMFTA.

What Causes Concealed Freight Damage or Loss During Transport?

Recall our previous conversation on how the Internet of Things (IoT) is transforming the transportation management services industry. This hyper connectivity and the use of more rapid communications through email and electronic data interchanges are partially responsible for the change in concealed freight damage reporting processes. Shippers have the ability to carefully track and monitor items throughout the shipping process, which reduces, if not eliminates, the possibility of environmental causes of damage. However, consumers are still faced with the uncertainty of how the transportation carrier handled the merchandise upon delivery. Some common causes of concealed freight damage beyond environmental problems include the following:

- Did the item fall on the ground between the vehicle and the home?
- Did the manufacturer provide all of the materials within the original shipment?
- Did someone steal part of the shipment before the recipient opened the package?
Although the technology, such as RFID chips, has reduced missing merchandise from the manufacturer, it still could be incorrect if the Radio Frequency Detectors on the chip were incorrectly assigned to the item(s).

How Did Communication Affect the NMFTA® Decision for Reporting?

Since humanity has become more aware of their surroundings, and, therefore, the exact time of delivery of shipments, more people will notice if a delivery is damaged or incorrect sooner. Furthermore, the majority of manufacturers and 3PLs have taken advantage of the digital age for notification of damaged or missing items. Traditionally, people would have to send written notification through the USPS to the manufacturer and carrier. However, the advent of email enables this written notification to take place quickly and more efficiently. Furthermore, advanced forms of digital tracking and document generation by customer service departments enable a telephone call to serve as this written notification.

Previously, the required notification period had been set 15 days to allow for delays in processing of information and receiving mail. However, most claims have been filed within five days of receiving a shipment for concealed freight damage with these newer technologies. As a result, the NMFTA® has simply changed policy to meet typical occurrences in the transportation management services industry.

How Will the NMTA® Decision Affect Carrier Claims Processing?

Unless otherwise specified by the carrier, notice of loss or concealed freight damage should be provided to the carrier within five (5) business days from the date of delivery. However, the NMFTA® did not specify how carriers may choose to implement this rule. For example, if a transportation management services provider decides to extend this timeframe beyond the NMFTA® ruling, the consumer may follow the carrier specified policy. However, if carriers do not have an existing policy, they must begin to follow the new NMFTA® regulations.

Fortunately, consumers who file a freight claim after the five day period have an additional option for ensuring customer satisfaction. When a customer has not reported such a claim as specified, he or she becomes responsible for providing the habeas corpus, or body of proof, that the damaged or missing items were the result of poor actions on behalf of the carrier. For consumers unable to provide such documentation, the claim will be considered invalid.
Consumers have up to nine months to provide such documentation. If the carrier does not approve the claim upon receipt and review of supporting documentation, the consumer has the option of filing a civil suit against the carrier within two years of the date of claim’s denial. After this two-year period, any such claims are considered invalid and unjustified regardless of consumer’s supporting documentation.

**Item 300135-A Reporting Concealed Freight Damage**

concealed freight damage reporting NMFC 
(a) When damage to, or loss of, contents of a shipping container is discovered by the consignee that could not have been determined at time of delivery it must be reported by the consignee to the delivering carrier upon discovery. 
(b) Reports must include a request for inspection by the carrier’s representative. 
(c) Notice of loss or damage and request for inspection may be given by telephone or in person, but in either event must be confirmed by a written or electronic communication. 
(d) While awaiting inspection by carrier, the consignee must hold the shipping container and its contents in the same condition they were in when damage was discovered, insofar as it is possible to do so. 
(e) Unless otherwise specified by the carrier, notice of loss or damage should be provided to the carrier within five (5) business days from the date of delivery. 
(f) If five (5) business days, or such other period as specified by the carrier, pass between the date of delivery of the shipment by carrier and date of report of loss or damage and request for inspection by consignee, it is incumbent upon the consignee to offer reasonable evidence to the carrier’s representative when inspection is made that loss or damage was not incurred by the consignee after delivery of shipment by carrier.

**Supplement 1 To NMF 100-Ao Procedures Governing The Investigation And Disposition Of Freight Claims For Loss Or Damage**

Only participants in the NMFC® at the time the transportation occurs may use the provisions herein. 14 For explanation of abbreviations and reference marks, see last page of this Supplement. ©NMFTA 2015 ITEM 300135-A-Continued 
(g) Reasonable evidence includes, but is not limited to: 1. Identifying the party(ies) responsible for unloading, 2. Identifying the chain of custody of the article, including prior transportation by any mode, 3. Location(s) of the article(s) once the shipment was received until the damage was noted, 4. Any mechanical or physical handling by the consignee subsequent to delivery by the carrier. 
(h) If a clear delivery receipt is available on the shipment, e.g. no damage or shortage is noted, the claimant must provide documentation showing that damage or loss occurred prior to delivery.
Ultimately, 3PLs will have an increased duty to maintain documentation of a shipment’s progress as this rule takes effect. Sound process and the use of digital communications will provide an extensive paper trail for providing proof that any damaged or missing items are not the fault of the claimant. Receivers will have a duty to ensure all shipped items are accounted for upon delivery. Although receivers do not necessarily have to file a claim within the five day period, they do need to if they are unable to provide proof of fault on behalf of the carrier. To further ensure the rapid processing of claims, consumers, who may be business owners, merchants, or others, should opt for a delivery confirmation signature for any and all packages. Additionally, the NMFC® advises consumers to open a package immediately before signing for the given package as part of the new rule.

By following these final tips and understanding the NMFTA® concealed freight damage rule changes, shippers and carriers will benefit from our increasingly digital world.
How The Carmack Amendment Applies to Freight Claims When Partnered with a 3PL

For decades, carriers have been subject to the Carmack Amendment’s exceptions and statutes that define liability. However, the surge in manufacturing and increasing presence of international shipping have changed the way shippers look at the Amendment. In today’s competitive market, filled with customers’ scrutiny and expectation for quality products, more shippers need to understand what the Amendment does and does not cover, including how it impacts freight claims and third-party logistics providers.

How Does the Carmack Amendment Impact Freight Claims?

Needing to file a freight claim is not a process that shippers plan for, but it needs to be an option. Things happen during shipping. Natural disasters, an act of war or other major events can “derail” a shipper’s plans, and the liability may rest with the shipper, not the carrier, as some would assume. Technically, any freight claim can be subject to the limitations within the Carmack Amendment.

Freight Claims That Fall Under an Exception Do Not Hold Carriers Liable

The Carmack Amendment holds carriers responsible for damages to freight that occur without proof. But, it limits liability by providing five exclusions, including an Act of God, damage caused by a public enemy, items that are inherently damage-prone, shipper’s failure to properly package products and damage resulting from changes in public policies. Yet, the burden to prove these actions can be difficult. For example, an act of terrorism may not necessarily qualify shipments for an exclusion. So, shippers need to assume that carriers are not liable for damage. Moreover, shippers should consider how minimal limits of liability under the Amendment may impact freight claims.
Damage That Occurs Outside of an Exception May Be Subject to Minimal Limits of Liability

Freight claims’ insurance, like most insurance policies, follows similar industry standards for deductions, limits of liability and haste of filing a claim. In other words, a shipper may be limited in how much financial restitution that can obtain when a shipment is damaged. This is in addition to the financial limits of liability defined by the Amendment.

For example, today’s expensive products may cost more than the Carmack Amendment allows within its limits of liability. So, even if an Act of God or other exclusion does not occur, shippers may still be on the proverbial hook for any value that exceeds $500. Meanwhile, failure to file claims promptly may still result in the denial of a claim. Consequently, more companies are using 3PLs to handle everything.

How Does It Affect 3PLs, and Why Is It a Good Idea to Partner With a 3PL For Managing Freight Liability?

3PLs provide every type of service imaginable, ranging from carrier selection to packaging and warehousing. Thus, the Carmack Amendment may impact 3PLs for their role as both a shipper and carrier. However, the Amendment’s limitation also demonstrates how certain 3PL-related benefits can simplify the claims’ process.

3PLs May Provision Freight Contracts to Cover Additional Damages

Service providers have an option to cover additional damages not specified in the Carmack Amendment. So, even the worst-case scenarios may be covered. Essentially, contracts can overrule any portion of the Amendment, protecting shipments and carriers from liability. The key is making sure that freight contracts clearly define this liability, so 3PLs can help by acting on behalf of shippers in contract negotiation.
3PLs Handle Bills of Lading

Handling classification of bills of lading is another key way 3PLs are useful with respect to the Carmack Amendment. Since multiple types exist, creating and transferring an appropriate bill of lading amounts to having the appropriate documentation needed for claims’ filings and processing. In other words, a claim could be denied on the basis on an inappropriate bill of lading, but a 3PL can handle creating such documents. Thus, shippers are not liable if an accident or error occurs. However, it is important to have any such responsibilities defined in the 3PL-shipper contract as well.

3PLs Can Handle Claims and Ensure Shippers Are Properly Represented

There are people in the world that will make shippers and carriers out to be the “bad guys.” Customers do not see that an Act of God or other event caused damage. They only see damaged product, a failure for the seller to provide goods as promised. So, shippers need to make sure that they have an accredited, authoritative figure behind the whole process, including if a freight claim is filled. This is where 3PLs are most important.

Depending on the level of services used, your organization may have the 3PL defend your liability on your behalf. Meanwhile, you may benefit from freight claims’ protection riders in your policy, allowing your organization to continue operating without disruption because of a claim. Essentially, 3PLs can handle the claims’ process, properly represent your company and keep you in accordance with the Carmack Amendment, including purchasing additional coverage when necessary. The Carmack Amendment is complex, and you need a partner that understands it to help your business grow.
Chapter Two

General Freight Claims Knowledge
The 4 Types of Freight Claims

If you have been following the Cerasis blogs, we have written extensively on all things freight claims. From the 6 easy steps of how to file a freight claim, to how you can better ensure your freight claims get paid, how not to be distracted by these freight claim time wasters, and of course why you may receive a freight claim declination. After today's post, which will cover the 4 types of freight claims you will encounter, we will conclude our extensive freight claims series on the most frequently asked questions we hear at Cerasis about claims.

We will then put together the ultimate eBook on Freight Claims after we first hold a live webinar in June on freight claims. Our goal has always been to provide all shippers (not just our customers) with the information they need to better manage freight. The better you have a handle on freight and transportation costs, the more efficient and profitable your business becomes.

**As a refresher, a freight claim is defined as the following:**

A Freight claim is a legal demand by a shipper or consignee to a carrier for financial reimbursement for a loss or damage of a shipment. Freight claims are also known as shipping claims, cargo claims, transportation claims, or loss and damage claims.

The intention of a freight claim is for the carrier to make the shipper or consignee “whole” – that is to say, their position is as good as it would have been if the carrier had carried out their tasks according to the Bill of Lading. For this reason, claimants are generally expected to file a claim to recover their costs, not including profits, although in some rare cases claiming profits may be considered acceptable.
The 4 Most Common Types of Freight Claims You Will Encounter

The following are the 4 types of freight claims you will end up filing if you are a regular shipper of freight. As with anything freight claims, the more you know BEFORE you have to file a freight claim, the more likely you are going to get the claim handled and paid for, and the less time you will spend processing them. Of course, if you’d like to take that burden off your plate all together, freight claims management is one of the services Cerasis offers in our technology and managed transportation services suite.

Types Of Freight Claims #1: Damage

A large number of freight claims you will file will be of the type "damaged." This is fairly self explanatory, but to actually have this type designation, the freight damage must be visible upon delivery and then notated on the proof of delivery document.

Types Of Freight Claims #2: Loss

The second type of freight claim you will undoubtedly file is the type "loss." This type is official if you have notated and documented against the original bill of lading that the freight that was picked up but does not make it to its destination. Essentially, this means there is no proof of delivery ever signed, and you must initiate a freight claim. Again, it is vital that you are accurate when filling out the original bill of lading.

Types Of Freight Claims #3: Shortage

In the types of freight claims, shortages can happen if something falls out or if something was written in error of the bill of lading. There may be several other reasons, but simply, you have shortage if only partial freight of what you expected from what was listed on the bill of lading makes it to you. This is why it is vital when you receive the freight shipped to you that you verify pieces received against the drivers delivery receipt provided at the time delivery. Note in detail any discrepancies on the carrier's delivery receipt. Have the freight driver sign all copies to acknowledge your notation.
Types Of Freight Claims #4: Concealed Damage or Shortage

The final of the types of freight claims is around concealed damage or shortage. This is a tough one to see when you are inspecting the freight to make sure everything is OK and there is no claim. You very well may sign the POD and notate everything is fine, but when you pull back the shrink wrap or open the packaging you find something inside you couldn't see is damaged or is short. The more you know about how to file and avoid a declination on concealed damage or shortage, the better off you are. If you know what is being shipped to you, and you should if you look at the bill of lading, then you can make sure you check inside the boxes before you sign the POD. This could help you get back the entire amount of the value of the freight if you catch the concealed damage or loss. If not, you may only be able to get 1/3rd of the claim amount back.

Freight claim management is not the most glamorous part of working with freight, but hey, it happens. The more you know about freight claims and all that goes into how they occur and how you file and manage them, that is "knowledge is power," the better off you are. What are your top tips around freight claims YOU would share? Let us know in the comments below!

If you need any help with freight claims management don't hesitate to contact us to set up a logistics consultation so we may offer you the best solutions for long term management of your freight.
Freight Insurance vs Freight Liability: Knowing the Difference For Freight Claims

This post begins our series on all things freight claims. We will first start with our education on the difference on freight insurance vs freight liability or limit of liability. We will then cover the basics of freight claims, followed by subsequent posts on how to best work with freight claims without spending too much time, and finally how good services and technology can help you take the burden off of your freight department and avoid a drain of resources.

Knowing the Difference Between Freight Insurance and Freight Liability is the First Step in Freight Claims Insurance Know How

If you are involved in logistics or related fields, or in an industry that depends upon logistics in order to be successful, you are well-served by knowing as much as you can about the basics of freight claims. In the event that items in transit are lost or damaged, freight claims are the means of recovering some of that lost value. However, just as in any insurance situation, it is very important that you take all of the proper and appropriate steps. The first part in knowing how to better manage freight claims starts before you start shipping: choosing the right amount of freight insurance and freight liability. But, do you know the difference?

Freight Insurance and Freight Liability Explained

In the unfortunate situation that your shipment is lost or damaged, it’s important to know what is covered by liability and what is covered by freight insurance insurance and what is the difference between the two.
Freight insurance does not provide protection against all losses a motor carrier may be liable for under the Carmack Amendment or common law. There is no single standard form of freight insurance that a carrier can go out and buy and be fully protected. Similarly, a certificate of insurance stating that a motor carrier has a specified amount of freight insurance does not mean that the shipper’s or broker’s valid claim will be covered by that freight insurance.

It therefore is extremely important that all motor carriers, shippers, brokers, consignees and others that have an interest in a shipment be aware of the extent of the motor carrier’s liability for freight loss under the applicable law and the extent that the motor carrier’s freight insurance provides protection for that liability. Unless the motor carrier is fairly large and financially strong, an uninsured judgment against it may be worthless.

**Freight Liability or Carrier Liability**

A regulated motor carrier operating in interstate commerce is liable for freight loss, damage and delay pursuant to the Carmack Amendment, 49 USC 14706. The Carmack Amendment was adopted in order to establish a uniform nationwide standard of liability for freight loss and damage, originally for rail and water carriers in 1906 and subsequently for motor carriers in 1935. To establish a prima facie case, a shipper need only show the following three elements:

1. delivery of the shipment to the carrier in good condition;
2. delivery of the shipment to the consignee short, in damaged condition, or unreasonably late; and
3. the amount of damages incurred.

Once the shipper establishes a prima facie case, the burden is on the carrier to establish that-

1. it was not negligent to any extent; and that
2. the loss was due to one of the five recognized carrier defenses, to-wit:
   (a) an act of God,
   (b) an act of the public enemy,
   (c) an act of the shipper,
   (d) an act of the public authority, or
   (e) the inherent nature or vice of the goods themselves.

If the carrier fails to meet its burden, the shipper is entitled to recover the”actual loss or injury” to the shipment.
The Carmack Amendment constitutes the statutory enactment of the common law, which is the law that developed from the judgments and decrees of the courts recognizing, affirming and enforcing the usages and customs of society over the years, particularly the unwritten law of England. As a result, the common law standard for a carrier’s liability for freight loss and damage generally is the same for exempt motor carriers and the carriage of exempt commodities.

The Carmack Amendment and the common law both impose a high standard of liability on a motor carrier. Indeed, although it is incorrect, it is often stated that a motor carrier is an insurer of the goods.

**What is Freight Insurance?**

Freight insurance does not provide coverage coextensive with Carmack Amendment and common law liability. Motor carriers and other claimants frequently tender claims to the carrier’s freight insurance company only to be told that their policy does not provide coverage for the loss. Indeed, a broker was recently quoted as saying that at least 30% of the claims it submits to freight insurance companies are rejected because the policy does not provide coverage for some reason.

It is worth noting that prior to March 21, 2011 the FMCSA required motor carriers to maintain and file proof of freight insurance that did in fact provide freight insurance that was coextensive with Carmack Amendment liability. Although the required coverage was only $5000 per vehicle, $10,000 aggregate, the BMC-32 endorsement made void any policy exclusions or limitations. This is as it should be, but the FMCSA eliminated the requirement regardless. This makes understanding the coverage afforded by a freight insurance policy all the more important.

There are different types of freight insurance policies, some going by names such as “all risks,” “broad form,” “legal liability,” and “motor truck freight.” Regardless what the name might imply, none of these policies provides complete protection against Carmack Amendment and common law liability. Policies exclude coverage in many different ways, for example, certain types of freight are excluded, only specific equipment and terminals are covered, losses caused by certain events are not covered, coverage applies only if service is performed in a certain way, etc.
We recently have been involved in freight loss cases where coverage was denied or challenged for the following reasons: failure of the insured to report the loss to the insurance company in a timely manner; the carrier’s “drop yard” was not listed as a terminal in the policy; the theft of a trailer was not covered because it was being pulled by a “non-scheduled” tractor; the theft of a trailer was not covered because it was left unattended; perishable commodity spoilage claims were denied because the carrier in one instance did not perform the required reefer maintenance and in another performed the maintenance but did not provide the records; and the carrier was acting as a broker even though it had a subcontractor with which it had a written contract to transport the shipment.

The only way to actually know what is covered by a freight insurance policy is to actually look at and read the policy. A motor carrier needs to work with an experienced insurance agent who knows trucking, and the motor carrier must take care to fully describe its operations and make sure its application is complete and correct. Shippers and brokers need to do the same.

**So How Do I know if I should Get Freight Insurance or Freight Liability? They are not the Same?**

Every booked freight shipment comes with limited liability coverage. The amount of coverage is determined by the carrier and based upon the commodity type. It covers a certain dollar amount per pound of freight. In some situations, the included liability coverage may be less than the value of the shipped goods.

To make a liability claim, the carrier must be at fault for the damaged or lost freight. However, if the damage is from inadequate packaging, loading errors or weather-related causes, the carrier is not at fault. Additionally, if the damage is not noted on the delivery receipt, many carriers will deny any liability.

In some cases, your freight shipment might have a higher value than what is covered under the included liability.

If so, this is where additional freight insurance may be purchased.

This extra freight insurance covers the shipped items and the cost of freight shipping. It is redeemable under all types of loss with no proof of fault required. Unlike the limited liability coverage, with added insurance, there are no exclusions for packaging errors or severe weather.
How do these two types of insurances differ in the claims process?

If your shipment is only covered by liability:

• Your claim must be filed within 9 months of delivery, or within a reasonable time frame if lost
• If the deliver receipt is not noted as damaged some carriers require immediate notification
• You must provide proof of value and proof of loss
• The carrier has 30 days to acknowledge a claim and must respond within 120 days
• You must prove carrier negligence
• This means the freight was picked up in good order, packaged properly but delivered in a damaged condition

If your shipment is covered by additional insurance:

• You will be required to provide proof of value and proof of loss
• Claims are typically paid within 30 days
• You are not required to prove carrier negligence

The world of freight claims, freight insurance, and freight liability can be daunting and confusing. Dealing with freight claims is never a fun exercise for a shipper. Many companies employ software or hire a third party logistics company to handle freight claims for the shipper. Either way, knowing the difference between freight insurance and freight liability BEFORE you ship can save you from costly mistakes when it comes to freight claims. Stay tuned for more on freight claims next week!
Cargo Insurance: What is it, What are the Types, & Do I Need it for My Shipment?

Following up our announcement that we have negotiated lower cargo insurance costs and now offer a zero deductible for that cargo insurance, we thought we’d take a deeper look at freight insurance (also known as cargo insurance). Specifically, what is cargo insurance, and should shippers even request it. We also highly recommend that you read our post entitled "Freight Insurance vs. Freight Liability: What You Need To Know For Freight Claims."

What Is Cargo Insurance?

Legally, all carriers must carry a minimum amount of insurance, known as carrier liability. However, carrier liability provides very limited coverage, and anything from natural disasters to vehicle accidents or even acts of war could damage your cargo. Therefore, shippers can request cargo insurance to protect their goods from loss, damage, or theft while in transit. Generally, goods are insured while being stored and while in transit, until they reach the buyer.

Does Cargo Insurance Have Limitations?

As we discussed in the freight insurance vs. freight liability blog post, cargo insurance does have limitations. For example, when shipping via truck in the United States, cargo insurance does not provide protection against all losses a motor carrier may be liable for under the Carmack Amendment or common law. There is not a single, standard form of cargo insurance that a carrier can buy and be fully protected. Similarly, a certificate of insurance stating that a motor carrier has a specific amount of cargo insurance does not mean that the shipper’s or broker’s valid claim will be covered by that insurance.
There are different types of cargo insurance policies, some going by names such as “all risks,” “broad form,” “legal liability,” and “motor truck freight.” Regardless of what the name might imply, none of these policies provide complete protection against Carmack Amendment and common law liability. Policies exclude coverage in many different ways. For example, certain types of cargo are excluded, only specific equipment and terminals are covered, losses caused by certain events are not covered, or coverage applies only if a service is performed in a certain way.

Overall, it’s crucial for shippers to document their cargo’s value in case of disputes, losses, or damages. It may also be necessary to work with a lawyer and insurance agent to fully understand your policy and make sure you are protected.

**Types of Cargo Insurance**

Cargo insurance can be taken for international as well as domestic transportation. At the same time, this is really difficult to standardize and control without the proper cooperation from countries and states due to the varying nature of this insurance. Under these variations, this insurance can be categorized into following classifications:

- **Land Cargo Insurance**: This insurance provides coverage for all the land transportations covering trucks and other small utility vehicles. The coverage aspects are theft, collusion damages and other related risks. This insurance is domestic in nature and normally, operates within the boundaries of the nation.

- **Marine Cargo Insurance**: This insurance covers transportation carried our either in sea or by air. Here, means of transportation and goods are covered from damage due to cargo loading/unloading, weather contingencies, piracies and other relevant issues. Mostly, this insurance covers international transportation. Under these insurances, there are some policies which can help you in understanding the concept of cargo insurance in a profound manner. These policies are:

  - **Open Cover Cargo Policies**: When insurance holder opts for coverage against various consignments, then open cover cargo policies get activated. These policies are segmented in two categories namely renewable policy and permanent policy. Renewable policy is required for a particular value requiring renewal after policy expiration. Most of the single trip or voyages fall under this category. Permanent policy can be drawn up for a decided time period permitting countless shipments in that period.
Specific Cargo Policies: When a company approaches an insurance company or broker for insuring a particular consignment, then it can fall under the category of specific cargo policies. These policies are also termed as voyage policies because only shipments are covered under them.

Contingency Insurance Policy: There are certain cases where customer, not the seller is responsible for insuring the goods against loss or damage. There are perils associated with it if goods get damaged during transit and customer refuses to accept them. In few cases, some customers do not insure the goods and tend to avoid the liability. Under such circumstances, affected sellers can seek rectification with the help of the legal system. This can be very costly for them and sometimes, they may lose the case. Therefore, sellers are advised to go for contingency insurance which have a very less premium rate. For testing and verification, sellers need not tell about it to their customers.

Benefits of Cargo Insurance
Cargo insurance covers transits carried out in water, air, road, rail, registered post parcel and courier. Following aspects are covered under the benefits of this insurance:

All Risk Coverage
This coverage provides extensive protection against damage or loss due to external factors. Though, this is called all risk coverage but still, people should know the aspects included and excluded in the policy. Under all risk coverage, included aspects are:

- Damages due to inappropriate packing
- Infestation
- Cargo abandonment
- Customs rejection
- Employee’s dishonesty

Free From Particular Average Coverage (maritime insurance related)
"Free of particular average" coverage clause excludes coverage partial losses to the cargo or to the hull except those resulting from stranding, sinking, burning, or collision. Another important aspect of this clause is that the shipper does not pay for minor losses (pre-decided percentage) and is only held liable in case of significant losses to the cargo. This insurance coverage belongs to special category and covers particular perils only. There is difference in coverage depending upon the storage location of the cargo. In this policy, following perils are included:-

![Cerasis Logo]
• Collision
• Heavy weather
• Sinking
• Derailment
• Non-delivery
• Theft
• Fire
• Earthquake

General Average Coverage

This coverage is basic requirement in the marine cargo transits. More specifically, it covers only partial loss occurred to the shipment. It requires all the other cargo holding owners on the ship to pay compensation to the periled cargo owner.

Warehouse to Warehouse Coverage

This coverage is applicable when shipment is unloaded from the ship and it gets transported to the customer’s warehouse. Insurance companies are very particular about compensating only the insurance holder’s cargo, not other owners’ cargos.

So, Should You Request Cargo Insurance?

Now that we’ve explored what cargo insurance is, as well as how coverage works; hopefully, you realize its importance when shipping goods. If not, think of the consequences of not having cargo insurance. What would happen to your company if an entire shipment were lost? What if your shipment is being transported via container vessel and the ship sinks? Or, god forbid, a truck gets in an accident with your very important freight? Your company is responsible for a share of the losses. How would that affect your bottom line?

Accidents happen; therefore, shippers need to request cargo insurance to protect their business when errors occur. If you want help on how to know if cargo insurance is for you, reach out to Cerasis today and we'll help you decide!
5 Freight Claim Answers That Every Claimant Should Know

This post concludes an extensive and thorough look at the world of freight claims and damage. Make sure you browse the freight claim blog post category to view all of them. Today our freight claims department will discuss the top 5 questions they get asked from our customers for whom Cerasis manages freight claims for. Not only will you see the top questions, but our team provides expert answers too! If you need any help in freight management, and find that you are struggling to stay competitive due to the time and money spent in managing your freight, reach out to us for a free freight and logistics consultation to see if we can help in process and decrease the resources needed.

Frequently Asked Questions Regarding Freight Claims

#1: What do I do when I receive damaged freight?

Sign the delivery receipt as damaged… I repeat, SIGN THE DELIVERY RECEIPT AS DAMAGED! Once there is a clear delivery receipt involved, it is almost guaranteed that your freight claim amount will be reduced to a settlement, or worse, denied altogether.

Below are a couple things to remember when signing for damages:

• Notate all damages – If only one item is notated damaged, more than likely the carrier will only refund that one item
• Be Specific – (e.g. 5 hoses punctured, 8 broken glasses)
• “Subject to Inspection” is NOT a valid notation – This notation is not enough to hold the carrier liable. When in doubt, notate “Damaged.”
• If you must, refuse the freight – In cases where the driver will not let you sign or check for damages, refuse the freight.
#2: Does the carrier need to be notified?

In short, yes, the carrier needs to be notified.

Proper notations on the delivery receipt constitute as notifying the carrier. If damages are noticed after the delivery, the carrier should be notified ASAP, and MUST be within 15 days of the delivery. Any damaged shipment where the carrier was notified later than 15 days after delivery will be immediately denied from the carrier.

#3: What do I need to file a damage freight claim?

When filing a freight claim, the more documentation, the better. However, there are a few key documents that you should include with every freight claim.

- Completed freight claim form
- Product invoice/sales invoice
- Proof of delivery/delivery receipt
- Original Bill of Lading
- Carrier freight bill (for freight charges)
- Repair cost invoice (if applicable)

Additional documentations that assist the freight claim process are:

- Photographs
- Carrier inspection report (especially for high value shipments. You can request the carrier to do an inspection at no cost!)
- Write up or description of loss or damage
- Record of discounted sale

If you think the document can help your case against the carrier, add it to the freight claim.

#4: What should I do with the damaged freight?

Through every freight claims process, the freight needs to be available for the carrier, usually for inspection or salvage pickup. This means the freight needs to be held onto until the freight claim is resolved. DO NOT throw away the freight, including the packaging as this could result in the carrier denying the freight claim.
So what are your options?

- The consignee can accept the freight and sign the POD as damaged/short and hold the freight until the freight claim is resolved.
- The consignee can refuse the freight and have it shipped back to the shipper (usually Free Astray) where the shipper will hold the freight until the freight claim is resolved.
- In some rare cases, carriers will dispose of the freight themselves if given the okay by the customer due to a complete loss of the product.

The carrier WILL NOT hold onto the damaged freight during the freight claims process and storage charges will accrue if disposition is not given to the carrier in a timely manner.

#5: How do I get a replacement shipped out?

Carriers understand that many shipments are time sensitive, and therefore, you do not have to wait for the freight claim to be complete before you ship out a replacement. As a matter of fact, if you ship it out before you start a freight claim, you can include replacement freight charges on your freight claim. However, when you have to ship out a replacement shipment, you should always use the SAME carrier. I know, they just damaged your freight, why would you want to use them again? Most carriers will only pay for the replacement freight charges if you use the same carrier.

My freight claim is declined; am I out of options?

Absolutely not! There are many options a freight claimant has after a carrier declines a freight claim. These range from submitting additional documents to taking the carrier to court. You can find the most common carrier declination reasons here. If you are having trouble getting a freight claim approved and are unsure where to go next, seek out a freight claims representative to assist. You can reach a Cerasis Freight claims Representative at claims@cerasis.com.
Chapter Three

Managing Freight Claims
The Importance of How to File a Freight Claim and the 6 Main Steps of Successful Freight Claims

With our first post in our freight claims series, we addressed up front, before you start shipping freight, the difference in freight insurance vs. freight liability. We will continue our series today in talking about freight claims, by focusing on the basics. We don't want to take anything for granted with the level of understanding of our readers. Most are experts, but not all of them understand such an important part of freight, and that is claims. So, within this post we will start with the basics of how to file a freight claim.

The Importance of How to File a Freight Claim in Plain English

It’s been said that the one area that most shippers are the least knowledgeable in is that of claims for freight loss and damage. However, this does not mean that an understanding of how to file a freight claim or freight claims in general aren't vital to running an efficient transportation and logistics department.

The late William J. Augello, co-author of Freight Claims in Plain English, had a passion about this topic as few others have. There are at least two reasons why Bill felt so strongly about the importance of understanding claims.

The first reason is financial. Unrecovered freight claims (often stymied by coordinators or entire companies simply not knowing how to file a freight claim in the first place) have a direct impact upon the bottom line of a company; and the tougher the economic times and thinner the margins the greater the impact. If your company operates at a 5 percent profit margin, to recoup the net revenues that would be lost by failing to recover a $1,000 freight claim, it would have to generate $20,000 in sales!
Second, Augello believed that this knowledge of freight claims and how to file a freight claim, is vital for shippers because they’re often on their own (unless they have a provider who can handle freight claims on behalf of the shipper) when it comes to claims. For carriers, whose core business is transportation, the processing of freight claims is an integral part of their business, and all but the smallest of carriers are quite knowledgeable and very competent when it comes to defending against claims vs. those shippers who still don’t know the first step in how to file a freight claim. For most retailers, manufacturers, and distributors, the transportation function is an unwanted headache....and freight claims represent a migraine.

However, just because something is difficult does not mean that it can be ignored.

**#1: How to File a Freight Claim: What is a Freight Claim (refresher)?**

The first point to know in how to file a freight claim is that a claim against a carrier is a legal demand for the payment of money arising from the breach of the contract of carriage (usually the bill of lading).

Therefore, the rules governing the filing of claims are founded in law and must be followed strictly. If you remember from our first post, that law, known as the Carmack Amendment, is more specifically transportation law, Title 49, Code 14706 (Make sure you view that blog post to learn more about the Carmack Amendment). Freight claims are also governed by government regulations, whether intrastate or interstate commerce is involved. If an international movement is involved, the claim may also be governed by international treaties.

Claims rules will be found either in carriers’ tariffs or in their bills of lading, or both. Court decisions interpret these regulations, laws and tariffs, and determine the rights and obligations of the parties.

If a freight claim shipment was governed by a contract, the terms of that agreement will govern the carrier’s liability. Often contracts will adopt common carrier tariff rules, as described herein.
#2: How to File a Freight Claim: What Constitutes a Freight Claim?

No specific claim form is prescribed by law, but four elements are essential in the quest of how to file a freight claim:

1. The freight shipment must be identified to enable the carrier to conduct an investigation;
2. The type of loss or freight damage must be stated and recorded;
3. The amount of the freight claim must be stated or estimated and
4. A demand for payment by the carrier must be made.

The shipment identification information must include the carrier’s “Pro number,” shipper’s number, vehicle number, origin date, delivery date, and commodity description.

The claimant’s name must be either:

1. The entity having title to the goods in transit;
2. The entity assuming the risk of loss in transit; or
3. An assignee of either 1) or 2).

The carrier against whom the claim may be filed is either the originating carrier or the delivering carrier.

It is not recommended that claims be filed against intermediate connecting carriers, although it is permissible to do so if it is definitely known which carrier caused the loss or damage.

The claim must be delivered to the carrier within the time period specified in the carrier’s contract and/or tariff, or that time prescribed by law, (usually 9 months from delivery). Since the date of receipt by the carrier determines whether or not the freight claim is timely filed, claims should be filed via delivery methods which give some type of confirmation of receipt and guarantee as to length of time for delivery, such as:

- Facsimile transmission (FAX);
- Registered or Certified mail, Return Receipt Requested (RRR);
- Express Mail;
- Express Courier Services;
- Electronic Data Interchange (EDI).
Freight claims should be addressed to the carrier's claims manager at the carrier's home office.

Personal delivery to a carrier's representative may be effective if the freight claim is actually delivered in time, but an acknowledgment should be obtained in writing, and a copy sent to the carrier's freight claims manager.

Receipt by the carrier is deemed to be notice to all connecting carriers as well.

The names and addresses of the consignor (shipper) and consignee (receiver) must be stated, including all stop-off locations for completion of loading and/or unloading.

Information on who is liable for the freight charges should be included in the freight claim. (Collect, Prepaid, C.O.D., etc.) Information on any liability limitations must be noted on the bill of lading.

#3: How to File a Freight Claim: Details of a Freight Claim

A detailed description of the freight loss, damage or delay must be stated, setting forth the specific commodities, number of units of each type, extent of loss suffered, the value of each unit, the amount of salvage realized, the net loss, and a description of the events which caused the loss.

Here is an example of recording the details of the freight claim:

- 10 cartons clothing water damaged; @ $100 ea. = $1,000
- 2 cartons shoes short; @ $500 ea. = $1,000
- 3 cartons china crushed; @ $100 ea. = $300
- Total Cost of damages and lost: ($1,000 + $1,000 + $300 = $2,300)
- Less Salvage: -$150
- Amount of Freight Claim: $2,150

Note: See exception notation on delivery receipt dated _______. Confirmed by inspection report enclosed, dated __________.
#4: How to File a Freight Claim: Amount of Freight Claim

The amount of the claimant’s loss should always be stated in the freight claim. When the extent of a loss is not known at the time of filing, it is not good practice to state that “this is a claim for $100 more or less.” When this is done, some carriers have been known to mail a check in the amount of $100 in expectation that the check will be deposited, thus relieving the carrier of further liability. The better practice is to place the carrier on notice as to its maximum exposure to liability by stating the full potential loss. If a lesser amount is finally determined to be owed by the carrier, the claim must be amended to that amount.

#5: How to File a Freight Claim: Supporting Documentation

When you are filing a freight claim, you must provide the following supporting documentation if available and applicable:

- The original bill of lading
- The paid freight bill
- Proof of the value of the commodities lost or damaged
- Inspection reports, if made
- Copies of request for inspection
- Notification of loss
- Waiver of inspection by carrier
- Special documents when appropriate, such as
  - Photographs
  - Temperature reports
  - Impact records
  - Condemnation certificates
  - Dumping certificates
  - Laboratory analysis
  - Quality control reports
  - Package certifications
  - Loading diagrams
  - Weight certificates
  - Affidavits
  - Carrier’s passing reports
  - Loading and unloading tallies
  - (Facsimile copies are generally acceptable)
A “Bond of Indemnity” may be filed with the freight claim indemnifying the carrier for any loss it may suffer as a result of improperly paying the claim on the basis of the claimant’s furnishing a copy of the original document.

Every claim should be numbered by the claimant and recorded in a claim log or computer system. The carrier should also assign its claim number and acknowledge receipt of the claim within 30 days of receipt, pursuant to D.O.T. regulations. Both claim numbers should be shown on all correspondence and checks.

A separate file should be kept on each freight claim. Important deadlines and dates should be recorded in the claim log and systematically reviewed. For instance:

• If a claim is not acknowledged within 30 days, or
• If a claim is not paid, compromised or disallowed within 120 days, or
• If the carrier does not provide status reports every 60 days thereafter, it should be notified of its violations of the government’s regulations.

Repeated violations of D.O.T claim regulations should be reported to the Surface Transportation Board, 1201 Constitution Ave. NW, Washington, DC, 20423-0001 or to the D.O.T. Regional Director in the Region in which the carrier’s headquarters is located.

#6: How to File a Freight Claim: Suit Deadlines

If a carrier denies liability for a loss for which the claimant has reason to believe the carrier is lawfully liable, the claimant has the right to institute a lawsuit. However, such suits must be instituted within strict time limits.

The most commonly applicable suit time limit is two years and one day from the date the carrier disallowed the freight claim. The date of mailing the carrier’s disallowance letter usually governs, not the date of its receipt by the claimant.

However, some traffic is not subject to the Carmack Amendment, and therefore, the time limits vary. For example:
on some piggyback traffic, the suit must be instituted within one year from the
date of delivery (not disallowance);

- on ocean traffic, the suit must be instituted within one year of delivery, but the
carrier may extend that date upon request received before the expiration of one
year. Airline claim limits vary for each carrier.

A system must be implemented to periodically review the status of pending claims to
prevent the expiration of the suit-filing deadlines.

Only a written statement declining payment of a freight claim in whole or in part
starts the running of the time period for filing suits.

An offer to settle or compromise a claim is deemed a declination, but it must also
state that the remainder of the claim is disallowed. (See 49 U.S.C. § 14706(e)(2)(A)).

Don’t wait until the last day to request your attorneys to institute a suit. Set your
review schedule to allow at least 30 days’ lead time.

Most Commonly Asked Questions we Hear from those trying to learn how to file a
freight claim

Q: How do I find the time limits for filing freight claims against our carriers?

A: The carriers’ tariffs or bills of lading will specify the various time limits, but they could be
different via each mode, or different for carriers within the same mode, particularly on traffic which is
exempt from government regulations.

The best procedure is to draw-up a time limit chart listing these key periods for each carrier in your
routing guide. This will also help you to select the carriers with the most favorable liability terms and
conditions.

Q: Must we notify our own insurance company of a freight claim against a carrier?

A: Yes, under most shippers’ freight insurance policies, the insurer stipulates that it must be given
notice of claims promptly, or within a reasonable time. If you are not able to recover from a carrier,
you may be time barred from claiming against the insurer if you have not given it prompt notice of
your claim against the carrier.
Q: Must I use a specific freight claim form?

A: No, any written notice containing the basic elements of a claim will suffice. (See listing above under “What Constitutes a Claim?”)

Q: May I include interest, administrative costs, freight charges, loss of profits, attorney’s fees, etc. in my claim?

A: Yes and no. The measure of damage is governed by common law. “Freight Claims in Plain English” reviews the case law on this issue as well as all other legal issues affecting claims.

Q: Can I recover a claim from a carrier after it files for bankruptcy?

A: Yes. Call the D.O.T. for the name and address of the carrier’s cargo insurer. 202-927-7600. Get the freight policy number in effect on the date of the loss. Then write to the insurer and demand payment under the BMC 32 Endorsement.
Effective Freight Claim Management: Decrease Time on These 7 Freight Claim Time Wasters

We continue our extensive series on all things freight claims today. We've covered the 6 easy steps to file a freight claim, 4 Ways to Increase Your Freight Claim Amount, knowing the difference between freight insurance and freight liability, 8 Freight Claims Tips to Ensure You Get the Full Amount Paid, and 5 “Knowledge is Power” Tips to Mitigate Freight Damage and Freight Claims. Today we will talk about the time wasters that can make freight claim management more difficult that it has to be for you as a shipper. No one really wants to do freight claims, but they are an unfortunate reality shippers and logistics providers must deal with every so often for overall effective logistics and freight management. The more you know about what could take more time and how to mitigate the time spent on these time wasters, the more time you have to focus on better management of your logistics department.

Effective Freight Claim Management is All About Circumventing or Dealing with Time Wasters

While most people know that freight claim management is time consuming, do you realize how much time you or your staff are really spending managing freight claims?

Here are the top 7 ways that freight claim management eats up your time. At the end, we’ll provide some free tips and resources to help you save time on freight claim management.
#1: Freight Claim Management Time Waster: Filing

This is the obvious time factor. It typically takes 2 – 3 hours to manually file a freight claim. This includes the time spent entering the data and appending supporting documents, submitting the freight claim form to the carrier, and organizing the data in your own freight claim filing system. You probably also spend time looking for the proper form, since each carrier requires their own specific freight claim form. You can easily avoid this by either using a freight claim software, or outsourcing freight claim management to a service provider.

#2: Freight Claim Management Time Waster: Data & Document Gathering

As stated in our 6 easy steps to file a freight claim, you have to document everything and gather data. These time wasters can really pile up and take away time you could focus on your business and better managing your logistics department. You will have to gather documentation and you will spend time on any of the following tasks:

- Calculating losses
- Finding repair quotes
- Looking for supporting documents (such as bill of lading, delivery receipt)
- Taking photographs of the damages

#3: Freight Claim Management Time Waster: Filing, Again

Have you ever submitted a freight claim only to have the carrier send it back due to missing information? Since it may have been a month or more since you last looked at the freight claim, you'll need to spend additional time looking up the information in order to re-file the claim. If you make sure you document everything immediately and fill out the initial freight claim accurately, double checking before you submit it, you can avoid filing again. Don't let this be you, because like anything that has to be done again, frustration will ensue because something of more importance won't get the attention it needs due to this time waster.
#4: Freight Claim Management Time Waster: Carrier Follow-Up
As much as everyone might like to send off their freight claims and have the money magically appear in their bank accounts, it doesn’t always work this way. Unfortunately, it is often necessary to follow up with the carrier to ensure that the freight claims get paid. These are some of the things that could occur that will increase your time spent on these carrier follow-up tasks:

- Looking up what freight claims have gone unpaid (NOTE: decrease time on this alone by again using software or by having your logistics provider manage on your behalf to look up this info more easily)
- Writing diplomatic freight claim reminder letters to the carrier
- Calling and emailing the carrier multiple times before you get a response

Now, to circumvent or mitigate this time waster is NOT an easy fix. Really, at the end of the day, and this will make all things carrier related much easier, you must collaborate with your carriers or ensure there is a carrier relationship management focused department at your logistics provider to build a relationship with carriers. The better your relationship with a carrier, the more likely your claim will get paid attention to by the carrier. Remember, in a world of software and technology, personal relationships go a long way in achieving your goals of efficient freight claim management.

#5: Freight Claim Management Time Waster: Dealing with Damaged Shipments
When a freight shipment comes in damaged, you’ll need to deal with it and if you are processing the claim yourself, you MUST spend time on the following in order to file the claim:

- Sorting damaged freight from the rest of the shipment
- Testing product to determine if it is damaged or not
- Repackaging product to be sent back to the shipper
- Disposing of damaged product

As stated in our 5 “Knowledge is Power” Tips to Mitigate Freight Damage and Freight Claims, there are great tips on how to stay ahead of damages, but also get better at processing claims. There is NO SHORTCUTTING this process, but the more you know about your damage history (such as the tip of tracking damaged SKUs with a system), the faster you get at this process.
#7: Freight Claim Management Time Waster: Managing Unhappy Clients

The worst thing that can happen from ineffective freight claim management is the loss of a customer due to poor performance of carriers damaging freight and it not getting to your customer on time or in working order. Keeping customers is paramount to the ultimate success of any business. If you have to spend time working with unhappy customers, you are losing time not only on working on more productive activities, but are only creating more frustration and mental anguish which in turn creates more time wasted. Here, again, more efficient technology and the use of outsourced expertise can keep you from wasting more time on freight claims management than you have to!
8 Freight Claims Tips to Ensure You Get the Full Amount Paid

Many companies who ship freight make costly mistakes when handling freight claims. There is a specific process that must be followed to ensure that the carrier involved pays the freight claim. If the shipper, or consignee, do not follow this process, the carrier will have an "out" and not pay the claim.

8 Freight Claims Tips to Ensure the Claim Gets Paid

1. Take Immediate Action & Record the Damage

Make a note of any damage or shortages on the Bill of Lading (BOL) all exceptions should be noted. Just because an exception is noted on the BOL doesn't mean you have to file a claim. However if there are no exceptions noted, your claims representative will be in a very difficult situation to successfully collect on any claim.

Example of an exception is “one box damaged”. A claim would only be filed if damage was actually found to the product.

In the LTL world there are provisions for hidden damage but this is still difficult to win. A good receiving clerk notes all irregularities on any shipment.

When your freight is lost or damaged upon arrival, it is important to give attention to the issue immediately. Lost time can really hurt you here, and there is often more to lose, such as a customer, than simply the product or cost to produce the freight. Noting the problem on the Bill of Lading is very important. Use as much detail as possible from the beginning of a potential claim. If you have a camera or smartphone handy, take digital pictures right away and immediately make a call to the carrier or freight logistics company to make the parties involved aware of the damage or loss. The carrier has a legal right to have the value of the claim mitigated where possible.
If you don't give the carrier the opportunity in the beginning to salvage, re-deliver, or return the goods, then some or all of your claim may be denied on the basis that you did not mitigate the value of the claim.

2. Keep the Freight!

Never discard the damaged freight until the claim has been resolved to satisfaction. We are not saying keep it in your warehouse in secret, as the carrier has the right to inspect the damaged freight. Furthermore, the carrier has the right to take ownership of and salvage the freight if full claim value is awarded. Getting rid of the damaged freight may result in the claim not getting fully paid, or denied altogether.

The carrier has a right to salvage. If the product won’t keep or other laws require disposal the carrier needs to know this. There are laws outside of transportation that trump the carrier’s right to salvage. This is usually found only with food and hazardous materials.

3. Make Every Effort to Mitigate Freight Damages

There is a responsibility on all parties (shipper, carrier, consignee, freight/transportation logistics provider) to do what is reasonably necessary to mitigate the amount of potential freight damages. The root word of knowledge is know. How will you ever really know what is causing your freight damage claims, and the best way to mitigate those claims, if you don’t have a way to collect, catalog, and analyze your data? The answer is you won’t truly know, you’ll just guess. That guess can mean you may favor a mediocre carrier over an A-rated one, or alienate your best carrier when it is actually your company that has a problem at a DC or with packaging.

The Carmack amendment requires all parties to mitigate in good faith. If you mitigate before filing you may have problems in negotiations of the settlement. File for full cost of the freight when the carrier acknowledges the claim then mitigate.
4. Pay the Freight Charges

The same regulations which outline the timeline for valuation of a claim, also states that this filing must be accompanied by a copy of the paid freight bill. Not paying the freight bill, even though you feel the carrier is at fault, can work against you when attempting to resolve the claim quickly. It will save you much headache in the future to simply go ahead and pay the freight bill as soon as possible. Always take the higher road when it comes to claims. Pettiness will get you nowhere.

5. Understand the Bill of Lading

The Bill of Lading is the contract of carriage when there are no other contracts between the shipper and the carrier. Also terms (Such as FOB or COD) determine ownership of the goods when damage occurred. Any load that crosses state or international borders is governed by USC49 known as the Carmack amendment. The claims section of the NMFC (for LTL) doesn’t contradict the Carmack Amendment.

Most contracts will set U.S.C. 14706 as the standard to resolve claims disputes.

Freight claims laws vary widely from province to province and state to state. Additionally, claim law is dramatically different when going across borders to either Mexico or Canada. From a liability amount and a notice period, Canada and United States rules differ considerably. You must remember the point of origin dictates the jurisdiction from which the claim will be settled.

This is also the same for shipments moving to or from Mexico. For example, for a freight shipment being picked up in Canada which will be delivered to a consignee in Mexico, if there is freight damage or the freight was lost, Canadian claims law will apply in the resolution process.

6. File the Freight Claims ASAP

The Carmack Amendment specifies the following time line: Carrier must acknowledge a claim within 30 days of initial filing. A final disposition must be given in writing within 90 days. The claimant has 2 years and 1 day to dispute that finding. The sooner you file the sooner this time line starts.
U.S.C. 14706 does not specify a 9 month limit. Those are always by tariff or contract. What USC actually says is you cannot enforce a time limit less than 9 months to file a claim. If the carrier is a contract carrier and does not publish a tariff and you have no contract specifying the 9 month limit you have no restriction on filing a claim according to U.S.C. 14706. A judge may uphold a 9 month time bar as an industry standard but it is not the law.

There are many differences in the amount of time you are allowed to file the notice you have intention to file a formal claim to a carrier between the United States and Canada. If you file a claim after this period, the claim will automatically void. For reference, the following time limit to file a claim for Canada and the US are:

- **Canadian Bills of Lading** - 60 days from delivery or within 9 months in the case of failure to make delivery

### 7. Know the Maximum Freight Claims Liability Amount

In both Canada and Mexico the carrier is liable in the claim for fixed monetary base amount per kilogram or pound, unless prior to the freight shipment, the carrier agrees to a higher amount through a "declared value" stated on the Bill-of-lading. The following are the fixed monetary base amount per pound:

- **Mexico** 2.8 cents US per pound
- **Canada** $ 2.00 CAN per pound

In the United States, the carrier is liable for the actual value of the shipment if the freight is lost or damaged, unless prior to the shipment, the shipper agrees to a lesser value. The release value is set by a common carrier's tariff or by how the freight is classified under NMFC. One of the common conflicts arise when goods are used or refurbished the value typically drops to 10 or 15 cents per pound.
8. You Cannot Profit From Freight Claims

The value of freight damage awarded is dependent on a number of variables. One of which is the transfer of ownership of the freight being shipped. Careful consideration must be given to the point at which the title to the freight is transferred. If manufacturer A produces and shipped freight to Distributor B and under the terms of their agreement holds title to the freight until completion of the delivery, then, if there is a damaged claim, the value of the freight damages will be limited to the manufactured cost of the goods and not the selling price. If on the other hand Distributor B took possession of the freight at the dock of manufacturer A and arranged for shipping, then if there was claims, the value of the claim would be the purchase price of the goods from Manufacturer A.

Summary

Improper handling of freight claims can be very expensive, time consuming and frustrating and should be avoided if possible. The more knowledgeable you are about the ins and outs of the claims process, the better equipped you will be to resolve the matter without having to resort to the courts. Sometimes having an expert in the background ready to provide a helpful tips or simply having someone who you outsource your freight management to handle your claims, can really be the way you have peace of mind when it comes to not losing time or money spent on freight claims.
If you have been following our blog as of late, we have been talking about an issue in the freight world not many logistics or transportation managers (or controllers, customers, and executives) really want to deal with: freight claims. You've worked really hard as a company to manufacture your product, or distribute to the end customer. You've selected the right carrier for your needs. And then.....you hear something has gone awry. Now you must take the first 6 steps of filing a freight claim. You get everything together, you file the freight claim. Then, like those nervously awaiting college acceptance letters this time of year, you get a notification letter stating "Freight Claim Denied!" You proceed now to curb frustration and anger as you now have to go back to your boss and let them know...you are not getting all of your freight claim paid. Cue the trumpets playing "Wah wah."

If you work in freight, you've lived this reality. It's not a fun reality to deal with in our industry, but it happens. The key to avoiding it (although it's not always possible to avoid in all cases) is to know the reasons WHY a freight claim declination can occur. Today we will give you the most common 8 reasons why you may receive that pesky freight claim declination.

Freight Claim Declination Reason #1: Incomplete/Inadequate Documentation

This freight claim declination reason is fairly straight forward. You may receive a letter that says something like this:
"This letter refers to your claim involving the referenced freight bill number and corresponding cargo claim. Our initial review of your claim finds the file to be incomplete. The following indicated documentation is needed:

- Copy of the vendor's invoice (billing document from "Seller" to "Buyer") supporting the cost of the claimed merchandise (Per NMFC item 300110).
- The copy of the invoice is illegible. Please mail a legible copy.

The claim is respectfully declined as filed. We can re-open the file for further consideration if the required documentation is received within the prescribed time period. Please hold all damaged product until the conclusion of the claim."

As you can see, the carrier is willing to work with you on this declination reason. Simply resubmit the information as requested.

**Freight Claim Declination Reason #2: Mitigation**

This reason comes along if you have a freight claim that does not meet the actual measure of damage against the carrier's limit of liability. You may receive a letter from the carrier that looks like this:

"Carrier liability, under the law, is limited to the actual measure of damage. It is the responsibility of the claimant to mitigate the claim to the lowest possible level. This may be accomplished by one of the following manners:

- Having the item repaired
- Sold at a discount
- Obtaining return authorization from the supplier for inspection and credit.

When filing a revision, please include the necessary paperwork, if not previously submitted such as a copy of the original purchase invoice, itemized repair bill of sales receipt indicating the customer discount allowed."
If a claimant is unable to mitigate, they do not have to immediately settle. The shipper can instead submit a detailed explanation of why mitigation is not possible (e.g. no scrap value, cost more to repair than replace, etc.) and request the full claim amount.

**Freight Claim Declination Reason #3: Clear POD**

This freight claim declination may come across if there was signed proof of delivery that had NO notation of any loss or damage. The letter you may receive from a carrier could say:

"When the merchandise was received, the consignee executed the delivery receipt and acknowledged that the freight was received in good condition, except as noted. There was no notation of any loss or damage to the freight or the outer packaging indicated anywhere on the delivery receipt.

We appreciate your business and sincerely regret any freight loss or damage claim that is filed. Unfortunately, we have not been presented with any evidence that the freight was a loss or damage while in our possession. Therefore, we respectfully decline this claim."

The key here is to make sure that you not only inspect and document the outside of the freight thoroughly, but you also make sure you try and look for any concealed damage that could occur. The more you know about what class and what type of freight you are shipping/receiving, the better off you are at also knowing if concealed damage is more likely to occur or not.

**Freight Claim Declination Reason #4: Act or Omission of the Shipper**

We all make mistakes. Sometimes a freight claim declination is an amazing time of reflection to see how you can improve internally to avoid freight damage all together or be confident you did everything right on your end, meaning the freight damage is the fault of the carrier and you are owed your freight claim amount. This freight claim declination letter points to a learning opportunity so next time you are prepared:
"In the matter of the above reference claim, our investigation revealed the product was not properly packaged for shipment by a motor carrier. Our decision is based on the National Motor Freight Classification, Item 60680:

Batteries or Cells, listed in 49 CFR 172.101, hazardous Materials Table, see Note, item 60702, in boxes or Package 827, see Note, item 60703
Since the product shipped did not meet these minimum requirements, we must return your claim respectfully denied."

**Freight Claim Declination Reason #5: Act of God**

This one is a frustrating one and not much you can do about it, according to terms as laid out in the bill of lading contract. Sometimes, none of us can be responsible or at fault for damage to freight. This is known as an "Act of God." Recently, we received this freight claim declination:

"We have carefully reviewed your claim and have verified that your shipment was lost or destroyed in the Joplin tornado. Section 1(b) of the bill of lading contract stipulates that the carriers are excluded from any and all liability relating to an Act of God (which the Joplin tornado certainly was). Based upon these facts, we must respectfully decline your claim."

We are not saying if you THINK your freight was lost or damaged due to an Act of God that you should NOT file a claim. But do know that your claim could be declined in these instances.

**Freight Claim Declination Reason #6: Freight Bill not Paid**

This freight claim declination reason is similar to a tax refund not coming your way (even though your tax software says you are owed one): you still owe money to the freight carrier. This is why it is vital that you pay your freight invoice even though there may be a freight claim involved with that shipment. The letter you receive from the carrier may look like this:

"Your claim has been amended to $373.97 for the reason(s) show below:"
The freight charges relating to this shipment are outstanding. Please contact me once the charges have been satisfied.

**Freight Claim Declination Reason #7: Shrink-Wrapped Pallet & Piece Count**

This freight claim declination is similar to the clear POD, in that you can avoid this one if you make sure you thoroughly inspect the freight when it arrives, and that you also instruct the consignee to do so as well. This takes some proactive work on your part, but it's worth it to avoid the headache. Additionally, if you are shipping something, and there is a piece count shortage, if all you marked was a specific number of pallets, but not the exact number of pieces, your freight claim for that one piece shortage could be declined. An example letter of declination may look like the following:

"In reviewing the referenced claim, we acknowledge that an exception was noted at time of delivery for a shortage; however, our records show that the subject shipment was accepted from the shipper as 2 shrink-wrapped pallets intact. The attached delivery receipt will show that the merchandise was delivered in the same condition as it was tendered to the carrier, thus the carrier is not liable for piece count."

If the shrink-wrap looks tampered with or rewrapped, make sure you notate that on the POD. Many customers tell Cerasis this when they are filing the claim, but did not write it on the POD and therefore the shortage is denied.

**Freight Claim Declination Reason #8: Freight Found**

Ever lost something at the airport and gave up all hope that you'd find it ever again? (Just ask our main blogger Adam about a story he has!) The same can be said for freight. When it's lost, you assume perhaps it will never be found again. But as is the case with Adam's story, sometimes the lost freight is found (which is a good thing) and you could receive a freight claim declination like the following:

"We are in receipt of your claim and all pertaining documents. We also have pulled our internal records, and have come to the following conclusion."
The freight charges relating to this shipment are outstanding. Please contact me once the charges have been satisfied.

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"We are in receipt of your claim and all pertaining documents. We also have pulled our internal records, and have come to the following conclusion."
A review of the terminal and delivery documents indicates that the shortage in question was located and delivered. Therefore, due to these findings, we must respectfully decline this claim and refrain from any further participation. Please see the attached supporting documents."

A freight claim declination may seem like a frustrating moment, just like getting audited by the IRS. But, like an IRS audit, if you had known WHY an audit may occur, you could have done something on the front end to save you the frustration. Additionally, when a freight claim declination occurs, you are now more knowledgeable and can handle the news more properly.
Chapter Four

Proactive Freight Damage
5 Ways To Help Avoid Freight Damage & Loss Claims

Shippers and sellers have plenty of things to consider. They must think about what customers will want today, tomorrow and two months from now. Meanwhile, are freight costs going to rise or decrease? Will Mother Nature throw a wrench into a shipment, causing extra delays or even freight damage?

These questions reflect the woes of freight loss among shippers and sellers, but proper packing and packaging can help prevent freight damage, assuming it is not the result of a natural or manmade disaster. But, how does it actually prevent damage from occurring? To help your organization thrive, you need to understand why proper packing and packaging keeps freight loss at bay, explains Lou Cortese of Inbound Logistics.

1. **Proper Packaging Protects Contents From Damaging Other Items.**

   Some shipments can be a risk to their surrounding contents on pallets or trucks. For example, liquids could spill. Heavy items could fall onto other packages, and hazardous materials could spread to other shipments.

   These issues mean every package needs to be properly sealed to prevent spillage of products if damage occurs within the package. For example, a broken bottle of ethanol could become a fire hazard and damage other items on the same pallet. In this instance, poly bags or waterproof envelopes should be used to prevent additional damage. Unfortunately, this does little to prevent damage from occurring within an individual package, which is where the next aspect of packaging comes into play.
2. Impact Protection Reduces Risk For Fragile Contents.

Every package should include some form of impact protection, but for packages that are made of glass or otherwise fragile materials, impact protection can mean the difference between a hassle-free shipment and a lengthy claims process. Using envelopes lined with bubble wrap can provide extra cushioning for these items. However, the outside package will likely be soft, so it may be a good idea to provide an extra layer of packaging. In other words, a hard, outer package with the smaller, impact-resistant package inside may be idea. After each item has been packed, you need to consider how it will be stacked on pallets.


Pallets do little good to prevent damage if the contents’ weight is not distributed evenly. Packages should be stacked as closely together as possible, and empty pockets from mismatched package shapes should be avoided. Essentially, every layer of stacking should contain packages of similar dimensions. Furthermore, a sheet of cardboard or other supportive material should be used in three-layer increments in packing a pallet. This will help to distribute weight appropriately. Of course, additional factors, such as not placing heavy or overweight items atop fragile packages, are also needed to ensure freight damage does not occur. So, how does a carrier know what type of packages should be placed above one another?

4. Labels Reduce Chance For Error in Stacking and Wrapping.

Labels are an often-overlooked aspect of preventing freight damage. They help shippers make pallet-packing decisions during the shipping process. As the world has grown more interconnected, it is impossible to determine a product’s fragility or durability from the seller’s brand or name. Consequently, a label should indicate the content’s ability to withstand added weight. This may include the amount of weight the box or package can withstand before being crushed and an indicator of fragile contents.

Labels should also be easy to identify. In other words, multiple labels should not be used unless required by the carrier. Mislabeled packages should have the incorrect label removed or marked out clearly, and the correct label should be free of stains or other damage. Essentially, labels can only go so far if packages are not necessarily in good condition when shipped.
5. Packaging Should Be Secured and Free of Holes or Other Damage.

When a box is damaged before shipment, it may be one of two possibilities. Either the box itself was damaged and is reused, or it may contain damaged contents. For carriers, this is a major risk. The recipient of the package will assume that the carrier damaged the package, not the original shipper. So, all incoming packaging should be free from damage, including holes, signs of water exposure or other possible damage to protect against liabilities.

Lastly, packaging should be secured on the pallet and within the cargo area. This includes using a durable plastic wrap, much like shrink wrap, to keep all packages on the pallet secure. Another level of protection can be added by securing a pallet to the walls of the shipping container or cargo area.

The Big Picture.

Freight damage and loss from freight claims can eat away at your company’s profit margin. Take the time to properly pack and select the appropriate packaging for each shipment. This will help keep your customers and carriers happy, which will help your business grow and provide a better level of customer service.
Concealed Damage Claims: 3 Myths Busted & 5 Tips to Stay Proactive

Yesterday we published a blog post concerning the notification window changes made by the NMFC for concealed freight damage. It was the fastest to reach 200 views of any blog post on the Cerasis blog (200 views in 45 minutes). I have a feeling it was so widely read as concealed damage claims are one of the most challenging and frustrating types of freight claims because it is so difficult to prove who was responsible for the damages. In addition to this, there are several myths regarding the rules and processes for filing concealed damage claims.

After each blog post, we distribute each blog post via email to all of our blog subscribers (you can subscribe by scrolling at least 50% down this page and filling out your email in the box that will come up in the lower left). One of our customers is a subscriber and read the email. He then asked us to put together some tips on how to proactively deal with concealed damage as well as had a lot of questions. Between this customer email and the quick interest in the blog post, our freight claims management team has gone ahead and given you first, 3 myths to dispel around concealed damage claims as well as 5 tips to stay proactive on the front end when it comes to concealed damage claims you will have to file.

A Brief Note on How Cerasis Views Concealed Damage Claims and all Freight Claims

At Cerasis, we now have 4 certified freight claims management specialist, with our fifth nearly certified and expecting certification in the coming months. In regards to concealed damage claims, shippers must know that they ARE THE MOST DIFFICULT type of freight claim to have a positive resolution. We have to fight for our customers tooth and nail, and the carrier has to fight for their team tooth and nail. And at the end of the day if the carrier doesn’t want to pay anything
(as unfair as it may be) some of them don’t even entertain any type of offer. Now when they tell us NO, we don’t take it lying down. We will typically go back to the carrier for a “settlement” if “WE” the Cerasis Claim team deems it would be worth it. We have a process of accepting denial and working through them and in fact, to better understand freight claim declinations, head on over to the 8 most common reasons a freight claim could get declined.

**Myth #1: Carrier Only Pays for 1/3 of the Damages**

In the case of concealed damage claims, it is common for carriers to pay for 1/3 of the claim value; the rationale is that the damage could have been caused by the shipper, the carrier, or the consignee. Since the concealed damage could have occurred in one of three places, the carrier justifies paying 1/3 of the cost of the concealed damage claim. However, concealed damage claims are more similar to typical freight claims than many people realize.

The challenge in concealed damage claims is a matter of evidence. If the consignee signs the delivery receipt as clear of damages, it creates the presumption that the shipment was delivered in good condition. However, this is only a presumption, and it can be rebutted through evidence that the consignee did not cause the concealed damage.

As is the case with ordinary freight claims, if the carrier caused the damage, they should pay the claim in full. If they did not cause the damage, they should dismiss the claim. Therefore, the challenge for the claimant is in proving that the carrier is in fact liable. A 1/3 payment only makes sense as a last resort if it is unknown as to who caused the damages.

Some carriers are willing to offer a courtesy settlement. Not all carriers will do that however. The sooner you notify the carrier of the issue the better. Treat freight damage claims, and especially concealed damage claims, as a court case. Whoever can provide the most well documented (and pertinent) evidence (to show beyond a reasonable doubt) that the carrier held most of the liability then typically you will win the claim or have a better offer. But when it comes to a “concealed damage” claim a majority of that is out the window.

At the end of the day, regarding concealed damage claims carriers will say;
• Improper packaging,
• That the delivered the correct amount tendered or handling units at (2 pallets pick up and 2 delivered. Especially when there are pallets with boxes and they may be damaged or lost),
• And the list goes on.

Myth #2: You Can’t File if You Signed the Delivery Receipt as Clear

When you sign the delivery receipt without any notations of loss or damage, it creates the presumption that the shipment was in good condition at the time of delivery. However, this presumption can be rebutted with proper evidence. If you’ve signed a clear delivery receipt and discover concealed damage later, it becomes your responsibility to prove that the shipment was damaged at the time of delivery. But don’t let that stop you from filing the claim.

Myth #3: You only have 15 Days to File a Concealed Damage Claim

Well, the 15-day rule BEFORE April 18th was a notification of concealed damage. However, the NMFTA has just changed the time period from 15 days to 5 days for notification on concealed damage claims.

You should report your concealed damage to your carrier as soon as possible, and certainly within 5 days of delivery. However, it is still possible to file a concealed damage claim after 5 days, it is just more difficult.

So what exactly happens after the 5-day mark?

After the 5 days, the consignee has the additional burden of proving that the damage did not happen after delivery.

Prior to the 5 days, the consignee only has the burden of proving that the damage did not occur at the destination.

Because it is more difficult to prove a concealed damage claim after the 5 days have passed, you should file within this time period whenever possible. However, you can still file a concealed damage claim after this time period if necessary.

5 Tips and Best Practices to stay Proactive with Concealed Damage Claims
Our soon to get freight claims certification Freight Claims Specialist, Chris Raway, relayed to me the following notes on tips and best practices to stay ahead of concealed damage and claims by stating:

When I was going through the Police Academy (editor's note: doesn’t this make Chris perfect for claims?), my instructors always said “pay attention to detail.” When filing a concealed damage claim, if I don’t understand the claim, I’ll call the customer and somehow I always work in the phrase “help us help you.” Get all the correct documents the first time and hit the carrier with all we have right away to get them back on their heels. I don’t like it when the carrier gets to “hold all the cards,” so to speak, so we must be prepared to answer any and all questions.

Here are the 5 tips our freight claims specialists provided to help mitigate concealed damage claims:

1. Inspect the freight right away if possible.
2. Break the shipment down right away.
3. Notate any issues or things that look out of the ordinary on the POD (packaging, shrink-wrap not intact, pallet being busted, etc.).
4. Document. Document. Then document some more. As the shipper, make notations on the OBOL such as the trailer number to see if the product was removed from that trailer and loaded onto another one. This occurrence will most likely not happen, but again we are documenting the shipment. If it isn’t written down or documented, it didn’t happen.
5. Have the shipper take photos as the freight is being shipped out and then when it is received.

Shippers have to try and be at least one step, if not more ahead of the carriers. Especially with the new 5 day notification period on the concealed damage claims.
Avoiding Freight Damage & Using Empirical Stretch Wrapping Data to Troubleshoot Causes

Everyone hates damage claims. They’re time consuming to process and nobody ever wins. Whether the cost is lost opportunity, actual product damage, squandered time or even just emotional frustration, there’s a cost for everyone. The best solution is avoiding freight damage, but how do you measure for it?

A major contributing factor is the inherent difficulty in measuring and documenting packaging suitability for LTL and over-the-road pallet load shipments. Unlike small parcel carriage, for which standards can be explicitly established, documented and validated using ECT (edge crush test) for corrugated and drop testing, there’s little comparable for pallet loads.

Containment force is one measure that has the potential to change that though. Containment force is an internal standard can be used by shippers to confidently reduce damage in LTL and over the road shipments – and give companies clues to what might have caused any pallet load damage.

What is containment force and how do you measure it?

Let’s start with a definition and some background.

Containment force is the product of stretch film layers and film tension – cumulatively the force which stretch film exerts to hold a pallet load together. It’s a complex, multi-variable product of various factors which include film type, gauge and pre-stretch as well as the way in which the film is applied to a load.
Different loads require different containment force and different areas on some loads may require more or less than other spots on the same load. For general reference a uniform load of typical CPG products in column stacked corrugated boxes which doesn’t overhang a pallet typically requires about 5 to 7 pounds of containment force. Irregular loads such as commonly shipped by distribution centers require about 8 to 12 pounds and heavy, inherently unstable product like shrink wrapped bundles of bottled beverages typically requires about 17 to 20 pounds, as measured with Lantech’s CFT-5 containment force tool. Be aware, though, that there are different types and brands of containment force tools and they are not calibrated to a universal or uniform standard – different tools will report different containment force values if they measure the same load.

Containment force is usually manually measured using a device and process as shown. It’s a deceptively simple process with some potentially important implications. (For more on containment force, check out our on demand webinar on How to Properly Wrap a Pallet.)

**Establishing and monitoring**

It’s easy to “over” wrap a load. One could use extra containment force on every load for instance, and sleep well knowing that the risk of failing in shipment is low. However, too much containment force carries a number of negative consequences.

First is the fact that excessive containment force can damage freight by crushing them. So there is an upper containment force limit for most loads. Then there are cost and throughput considerations. Increasing containment force means the load must be wrapped with more film layers or more film tension or a combination of each. Adding more film layers increases wrap cycle time and reduces throughput since fewer loads could be processed through the stretch wrapping equipment during an hour, shift or day. Unless, of course, a thicker film applied with more film tension was used. Further, there is an actual bottom line cost of the film – especially when considered across thousands of loads shipped. And beyond the cost, there’s a range of sustainability implications. Using more film than necessary to ensure safe shipment results in excess plastic in landfills.
Since containment force has both upper and lower limits, it’s important to optimize it – and that takes a more than bit of trial and error – it’s a hard and tedious process. Experts can make informed recommendations which are more specific than our general guidelines above, but there’s no alternative to simply test shipping loads as part of an effort to reduce film use. In other words, once a reasonable base line is established, it’s possible to tweak variables on test loads that are then shipped and exposed to extended real world tests to determine suitability.

However, it’s not enough to simply establish and document a containment force standard. Too many variables exist. For instance purchasing may buy different film which seems to have similar specs, but performs differently. Operators on different shifts may have machine set-up preferences, and serial adjustments can result in drifting outputs. Efforts to reduce costs/volume of primary packaging like cases often changes the behavior of palletized loads. And film breaks – one of the dreaded killers of stretch wrapping OEE – typically prompt operators to decrease film tension. That single adjustment often leads to significantly reduced containment force unless effective countermeasures are taken.

Therefore, like any important operational parameter, it’s important to monitor containment force. This requires periodic sampling, and a consistent system for tracking and logging the data.

**Referring to the data**

Here’s where it gets interesting.

At Lantech we know from experience that proper containment force, the absence of lengthy film tails and loads locked to pallets with rolled film cables (vs. bunched film ropes), stretch wrapping eliminates about half of the un-salables that result in transit from Ineffective stretch wrapping. When a load is wrapped to these standards, it’s safe-to-ship from a stretch wrapping viewpoint and has the highest probability of arriving undamaged at its destination. Bear in mind however, that packaging materials, poor palletizer performance, load- to-pallet fit, and truck loading can also cause in-transit damaged freight. Although effective stretch wrapping can often help overcome deficiencies in these, it can only do so much.
So we think of monitoring containment force as a quality confirmation which ensures that standards are maintained without drifting – in other words, that every load leaves the dock in “safe to ship” condition.

If recorded, this historical data may have another potential use beyond confirming the maintenance of the standard on the production floor. When damaged freight does occur in shipment, the data can be referenced to confirm that a specific load, or a production run of similar loads, was actually wrapped according to a containment force standard which has been demonstrated to be adequate, through trial and error, for safe shipping.

This isn’t only theoretical. One of our innovative customers used containment force data and referred to documentation of containment force checks to support their theory that damaged freight in transit resulted from some other cause rather than inadequate stretch wrapping.

**Implications of an empirical standard**

Obviously this hasn’t been widely adopted, nor may it ever be. However, it has interesting potential implications as an empirical standard. Perhaps someday shippers could collect this data so that those bearing the risk of loss from in-transit damaged freight could refer to it to assert their claims. Similarly, carriers could use it to challenge claims. And finally, insurance providers could potentially create performance standards and minimum criteria to protect themselves.

And there are obvious benefits beyond reducing the squabbles over claims. Some research indicates that as much as .5% of all CPG products end up in landfills as unsalable due to damaged freight in warehousing, material handling and transit. The best solution is avoiding freight damage, and that’s the real power of containment force awareness, standards and tracking.

**A Framework to Improve Outcomes of Avoiding Freight Damage**

Every shipper can and should understand containment force, establish standards for their loads to be “safe to ship” and periodically check outgoing loads. Those are the simple but not necessarily easy basic steps which will likely make everyone’s lives simpler – especially the route drivers, depots and DCs that squander time trying to patch up poorly wrapped loads.
Beyond that we suggest awareness and a broader discussion. How heavily might you lean on your containment force data to troubleshoot shipping damage issues? It’s fair to say that nobody could definitively answer that today.

We do know that technology is evolving quickly to automate the collection of containment force data, monitor machine performance for consistency, and even automatically adjust to varying load configurations on the fly – adjusting stretch wrapping parameters and the resulting containment force dynamically.

For too many companies stretch wrapping is a “black box” and the standard is whether there’s a sheen of film on the outside of the load. We know that increases the likelihood of damaged freight in transit – and drives up a host of related costs as a result.
We continue our ongoing series around all things freight claims. In the past we wrote about 6 easy steps on how to file a freight claim, the difference between freight insurance and freight liability, 8 ways to make sure your freight claim gets paid, and the classic one, which we think is the basis of effective freight claims management, 5 "Knowledge Is Power" tips to mitigate freight damages.

Today we will go over 4 easy ways to increase your freight claim in the event freight damages occur at any point from point A to point b in the process of shipping freight.

4 Ways to Increase your Freight Damages Claim Amount

When you file a freight damages claim, you are legally required to take reasonable measures to mitigate the losses and most carriers are quick to remind you of that.

But, make sure that your reasonable measures are just that – reasonable. And while you’re at it, make sure that you get paid for the expenses that you incur to mitigate these losses.

This freight damages claim is costing you money – so while you’re mitigating the freight claim damages to the carrier, make sure you get reimbursed for expenses incurred while doing so.
#1: Claim Only the Damaged Portion of the Freight Damages in Shipment

**Add to Freight Damages Claim: Labor Costs**

Depending on the product, you may need to sort through the freight damages for individual products that are undamaged. You may also need to test the products to see if they are still in usable condition.

Did you spend a considerable amount of time sorting or testing the damaged products? If so, it is reasonable to claim your labor costs when filing your freight damages claim.

#2: Repair, Rather than Replace

**Add to Freight Damages Claim: All Repair Costs Involved**

Carriers typically expect you to repair a product rather than making a full replacement. In this case, they would reimburse you for your repair costs.

Keep track of all of the costs associated with the repair. Parts, labor, and shipping costs for parts ordered in are all fair game.

#3: Salvage When Possible

**Add to Freight Damages Claim: Full Value of Shipments That Cannot be Salvaged**

Some types of products when freight damages occur should be written off entirely, even though some of the product appears to be salvageable. Food, drugs, or other products for human consumption are treated differently under the law than other product damages.

For example, Section 342(a)(4) of the Federal Food, Drug and Cosmetic Act – 21 USC states that “A food shall be deemed to be adulterated … if it has been prepared, packed, or held in insanitary conditions whereby it may become contaminated with filth, or whereby it may have been rendered injurious to health.”
To provide a practical example, in Atlantic Mut. Ins. Co. v. CSX Lines, L.L.C., 432 F.3d 428 (2nd Cir. 2005), a container of concentrate that would be used to make Pepsi spent part of its trip submerged in seawater. Despite tests showing that seawater had probably not penetrated the container, the quality manager could not be sure that the container had not been contaminated.

Due to this and other evidence that showed a chance of contamination, the court deemed that Pepsi could not use the product without fear of contamination.

The definition of “insanitary conditions” can cover a wide variety of instances to which your product may have been subjected. If product seals have been broken, if it has been subjected to insanity conditions, or if it was in any situation where it could have been contaminated (whether or not the product actually was), then you should destroy the shipment and claim the full value of the goods.

#4 Salvage When Reasonable

Add to Freight Claim: The Full Value of Shipments that Aren’t Reasonable to Salvage!

Remember, you are expected to mitigate the losses when reasonable. For example, in their March 2012 digest, Transportation & Logistics Council Inc. advised one shipper to claim the value of an entire palette of bottled beverages, although some individual bottles were undamaged. In addition to the contamination risks discussed above, it would have been unreasonable to salvage the product. This is because the bottles were to be sold to a retailer in bulk units; while some individual bottles were intact, the bulk packages were not, and would therefore be unfit for sale. If your product is now worthless to any potential buyers, your freight damages claim should reflect that.

NOTE: The courts have ruled that the carrier cannot claim the salvaged shipment or a salvage allowance if the claimant finds that no salvage value exists. Therefore, if your shipment has not retained any salvage value, you should be able to claim the full value of the shipment.

Disclaimer: The information on this blog is for personal reference only. This is not official legal advice from a transportation attorney. We accept no responsibility for consequences resulting from the use of this information. For official legal advice, talk to a certified professional, such as Cerasis who is a certified freight claims logistics service provider, to give you the exact answers to specific questions.
CONCLUSION
Gaining more from a 3PL Relationship

Thank you for reading this comprehensive guide for freight claims management.

In summary:

- Education is Key and Knowledge is POWER when it comes to freight claims!
- Know the freight claim laws
- Before you ship, know the differences between insurance and liability, as well as how you can prevent damage and claims
- Know the importance of freight claims, and how to file one yourself (even if you outsource this to a provider!)
- Use Technology
- Consider using expert services to handle your freight claims

Cerasis, a transportation management company founded in 1997, has always believed in the use of technology to improve process to not only reduce cost but to stay strategic, competitive, and have the ability to use data from technology to continually improve. In fact, one of our core values is just that: continuous improvement of our people process and technology.

We built our Cerasis Rater TMS in 1998, launching it as web-based before Google was even a business. Our (now Army, as our Development Manager, Jerel Byrd calls them) development team are always continually improving the Cerasis TMS, as we know it is vital to have a system that is not only innovative, but sound, secure, and enables those in transportation to do their job all while doing it cost effectively.
Cerasis has dedicated freight claims managers whose only job is to focus on the speedy, efficient, and thorough resolutions of any and all of our customers’ freight claims. Our freight claims management services are included simply by being a Cerasis customer. It is in ours, yours, and our carrier partners’ best interests to fully investigate and resolve freight claims.

Cerasis offers the following freight claims services:

- Process all freight claims from beginning to end.
- Work as a liaison on behalf of our customer, working with our carrier partners and providing transparent communication throughout the entire freight claims process.
- Provide proactive education to shippers, consignees, and carriers to decrease future freight claims by empowering all parties with the knowledge of what a freight claim is, how to avoid future damage, and ensure freight claims are resolved.
- Keep all parties compliant by following all policies and regulations of customers, carriers, and industry standards.
- Process checks and ensure all parties are paid in a timely manner when a claim is resolved.
- Proactively follow up on claims status to resolve them within the 90-day freight claims window.
- Educate all parties in the case of a denied claim.
- Offer freight claims expertise, taking the burden and anxiety away from our customers when it comes to freight claims due to the thousands of processed claims and man hours put into proper freight claims management.

Want to learn more? Visit http://cerasis.com
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