

Increases for International Air Freight Limitation of Liability

Effective December 28, 2019, the limit of liability for air carriers will increase under the Montreal Convention by approximately 14%. The Montreal Convention is a multilateral treaty that among other things, sets limitations on damages recoverable from air carriers for loss or damage to persons, baggage or cargo.

The revised limits of liability established under Article 22 of the Convention increases the Special Drawing Rights (SDRs) from 19 to 22 per kilogram. This means that the new limit of liability is about \$30 USD per kilogram and increases air carriers' cargo claims exposure.

SDRs are units of account for the International Monetary Fund. The SDR allows international obligations to be defined without tying the obligations to the use of one single currency. Currently, the SDR is currently worth approximately \$1.38 USD.

With regards to limits of liability, the weight to be taken into consideration is the total weight of the package or packages concerned. According to the Convention, an air carrier may agree to higher limits of liability or no limits of liability. Air carriers should make sure to have their limits of liability are listed on their terms and conditions, contracts and other service terms especially now with the increase to 22 SDR.

Under the Montreal Convention, air carriers will pay 22 SDRs per kilogram if it can be proven they were negligent. The burden of proof is on the shipper and it can be difficult to prove that the air carrier was at fault.

Did you know that "All Risk" Shippers Interest Coverage provides the cargo owner with coverage for direct physical loss or damage to the cargo without the need to prove liability? To learn more about our cargo insurance policies, contact your local Avalon representative.

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