WAREHOUSE OPERATOR – PROFESSIONAL LIABILITY CLAIMS REVIEW

To illustrate how valuable Avalon’s Combined Transit Liability program is in managing a warehouse operator’s business risks, we compiled the following claims. The settlement and the legal fees were the amounts paid by the insurance company.

Theft of Goods in Bonded Warehouse
A carrier placed a shipment in a bonded warehouse for Customs inspection. After inspection, the carrier then picked up the goods for delivery to the consignee. Upon loading, it was discovered that several cartons of goods were missing and assumed to be stolen from the warehouse. The consignee then sued the warehouse operator for the amount of the missing goods.

The goods were not confiscated by Customs, which would have allowed the warehouse operator to reject liability for the claim. The loss was considered a theft and the warehouse operator was held liable for full value of the goods for negligent safekeeping.

Claim Amount: $25,000
Settlement: $25,000
Legal Fees: $3,000
Insured’s Deductible: $5,000

Incorrect Temperature Settings
A warehouse operator stored products that needed the temperature to be maintained between 40°F and 50°F. The forwarder was aware and informed the warehouse operator, but the warehouse operator failed to follow instructions. The product spoiled and the shipper held the warehouse operator liable for the amount of lost products and initiated a lawsuit.

Had the freight forwarder purchased Avalon’s CTL program, negligence in failure to maintain correct temperature settings would have been covered and all legal fees would have been paid under policy terms. With Avalon’s First Dollar Defense option, the warehouse operator’s deductible would only apply to settlement amounts and not legal fees.

Claim Amount: $20,215
Paid out of pocket: $20,215

Warehouse Contracts
A warehouse operator stored a shipment of computer parts that were sent from New York to Virginia weighing 5,043 pounds with an invoice amount of $100,000. Prior to the shipment, the warehouse operator entered into a special contract increasing liability to $9.07 per pound instead of the standard bill of lading limitation of $.50 per pound. After the consignee picked up the goods from the warehouse in Virginia, parts of the shipment were missing.

The buyer informed the warehouse operator the total weight missing was 2,143 pounds. Since the warehouse operator received approval for their special contract through Avalon, the policy paid a claim amount of $19,437 minus the deductible. If the warehouse operator did not pursue special contract approval prior to the shipment, the policy would have paid only the standard bill of lading limitation of $1,071.50, which would have fallen under the policy deductible.

Claim Amount: $60,000
Settlement: $40,000
Legal Fees: $3,000
Insured’s Deductible: $5,000

Delay in Delivery of Merchandise
A freight forwarder, who is also a warehouse operator, was sued by a shipper for failure to ship auto parts from the warehouse at the intended time via ocean freight. The shipper demanded shipment by air freight so the goods would arrive in enough time to meet the needs of the consignee. Since shipping by air is more expensive than by ocean, the claim was filed for the difference between air freight and ocean freight charges. The freight forwarder’s E&O policy covered the claim amount, minus the deductible.

Claim amount: $7,634.00
Deductible: $5,000

For more information on Professional Liability Insurance for warehouse operators, contact your local Avalon office or email marketing@avalonrisk.com