IRU Guidelines for transport operators on insurance matters

I. INTRODUCTION

All road transport undertakings face various types of risks which may be covered by insurance, such as:

- **Third party (civil liability) insurance** for any material or immaterial damage which the company may cause to third parties or even to its own staff. In general, this insurance also covers the company's liability for its premises;
- **Traffic insurance** covering damage which may be caused to property or individuals by the vehicles owned or in use by the company;
- **Contractual liability insurance** covering the company's liability vis-à-vis the persons entitled to dispose of the goods which it carries (for damage, delay, non-delivery, shortage);
- **Cargo insurance** or "ad valorem" insurance. Contrary to contractual liability insurance, in this case the goods themselves are insured based on their actual value;
- **Various insurance** for ancillary activities (warehousing, logistic services, handling, etc); and
- **Business risks insurance** for non payment of invoices and/or losses in turnover due to specific incidents.

II. GUIDELINES FOR TRANSPORT OPERATORS ON INSURANCE MATTERS

The IRU has developed Guidelines on insurance matters to assist road transport operators in their negotiations with insurance companies to prevent a lack of coverage, overlapping insurance coverage, as well as to better address exceptional risks and situations.

(a) Compare the various insurance contracts already signed to determine the exact risks already covered and to identify any overlapping coverage or lack of coverage - *to avoid paying twice and to ensure minimum coverage*;

(b) Always take out transport liability insurance cover, even if the law does not make such insurance mandatory – *to limit financial liability and exposure*;

(c) Check that the insurance (at least) covers the contractual liability of the transport operator as well as situations where the Convention on the Contract for the International Carriage of Goods by Road (CMR) Convention does not set limits or is not applicable – *to limit exposure*;

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(d) Negotiate a liability insurance ceiling in case of declared value which corresponds to the usual exposure of the company based on the number of transports, destinations, average declared value, etc. Review the ceiling level regularly. If the ceiling is too high or too low, renegotiate again – *to keep the cost of insurance reflective of risk and proportionate to the exposure*;

(e) If the contract foresees an insurance ceiling per incident, evaluate the ceiling amount according to the normal needs of the company – *to avoid excessively costly insurance coverage*;

(f) If the contract foresees an annual indemnity limit, evaluate the ceiling amount according to the normal needs of the company – *to avoid excessively costly insurance coverage*;

(g) Foresee an appropriate indemnity limit for cases of gross negligence, wilful misconduct or inexcusable fault - *as beyond this limit the transport operator remains liable without any coverage*;

(h) Include an adjustment clause in the insurance policy that allows for the total insurance ceiling, individual ceiling per incident or annual indemnity limit to be renegotiated during the policy term – *to adjust the coverage to changing business circumstances*;

(i) Negotiate the removal, if applicable, of clauses which automatically cancel policies (at the end of the policy term) in the event of a claim – *to avoid becoming uninsured or uninsurable*;

(j) Negotiate an amount of insurance excess which is compatible with the claims statistics and financial ability of the company – *to ensure an appropriate balance between the risks insured by the company and the cost of the premium*;

(k) Negotiate a profit sharing clause or no claims bonus – *to receive a reimbursement or reduced premium costs if no claims are made*;

(l) Negotiate a clause that would lead to total or partial abandonment of liability in cases of default of the insured. This may be done by adding a clause in which the insurer agrees not to make a claim for recovery in such situations or to limit such claims to situations where a threshold has been crossed (like a reverse excess) – *to limit liability if the insured defaults*;

(m) Use the IRU's General Conditions for International Carriage of Goods by Road and in particular the clauses that foresee that in cases where "the Sender requires the Carrier to insure the goods, it is presumed that the Sender has not taken out insurance for the same goods" – *to avoid misunderstanding about which party will take out insurance coverage*;

(n) Review the clauses relating to theft carefully (especially in relation to applicable national legislation) and try to amend the clauses to limit liability where possible – *to avoid unnecessary exposure*;

(o) Take out additional coverage for default exclusions in the absence of specific coverage for strikes, riots, violence, natural disasters – *to limit exposure*;

(p) Regularly review and request new quotations for all insurance policies (including policies not linked to transport (such as building insurance, contents insurance, etc) as it may be preferable to change insurers or bundle insurance policies with one insurer – *in order to get the best possible price and insurance coverage*; and

(q) Use quality control certification, standards certification, ISO Certification, TIR Carnet Holder status, Customs status, etc - *to negotiate a preferable insurance premium*.

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