

Flat World Global Solutions

Freight Claims Guide




FLAT WORLD
GLOBAL SOLUTIONS

www.flatworldgcs.com

An Introduction to Freight Claims

Every shipper dreads it.

But with over 92% of shippers experiencing some kind of loss,^{*} damage or missing item freight claims are inevitable. You've likely heard horror stories of months-long negotiations for reduced payouts, or worse, an outright claim denial. Unfortunately, these issues are all too common.

A freight claim (also called a cargo claim or shipping claim) is a legal demand by a shipper against a carrier for reimbursement due to shipment damage, loss or other circumstances.

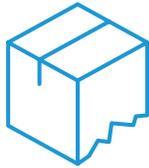
But preparation and knowledge of the claims process can be a major factor in whether a claim is paid. Taking the time to familiarize yourself with how the freight claims process will play out can go a long way in avoiding lengthy negotiations and claim battles.



^{*}According to 2018 UPS Capital Report

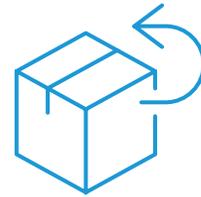
When, Why and How to File Freight Claims

Before we dive into the claims process itself, let's take a look at the four main types of cargo claims and the circumstances that warrant their filing:



Damage

This is by far the most common cause of freight claims. This is when your shipment has visible damage upon receipt.



Concealed

Sometimes damaged or missing goods are discovered after the shipment has been received. With damage that is obscured until after it's been delivered, this type of claim is different from damage claims.



Loss

As the name suggests, a loss claim is when a shipment gets lost in transit and never makes it to the final destination.



Shortage

When a shipment arrives but is missing cargo, this is known as a shortage claim.



Shippers' and Recipients' Responsibilities

All three parties involved (the shipper, recipient and carrier) need to work together to safely execute shipments and hold each other responsible for their role in transporting and receiving products in good condition.

Because claims are a legal process that can be costly for all parties, it's important that both shippers and recipients understand their respective responsibilities.

To prevent loss and damage during transportation, **the shipper is responsible for** proper packaging, proper labels and markings on the packaging, and proper descriptions on the shipping papers.

The recipient is responsible for carefully identifying and documenting loss and/or damage on the delivery receipt **at the time of delivery**, and while the driver is present.

Claiming the damage or loss and expecting to be fully reimbursed isn't enough – claimants have a legal obligation to mitigate claims and reduce the damages as much as possible. This can be accomplished several ways, including:

- **REPAIRING GOODS AND SUBMITTING CLAIMS** to reflect the cost of parts and labor
- **SORTING DAMAGED AND UNDAMAGED ITEMS** to reduce the quantity being claimed
- **SELLING THE DAMAGED GOODS** through the most profitable means available (The claim would then reflect the difference between the destination value and the amount recovered through the secondary sale)
- **RETAINING DAMAGED BUT USEABLE GOODS** for an allowance

For help filing a claim, contact Flat World's claims department at claims@flatworldgs.com.

Proper Packaging and National Motor Freight Traffic Association

Packaging is essential in any supply chain. The NMFTA, or National Motor Freight Traffic Association, dictates packaging requirements associated with all commodities being shipped. These internationally recognized specifications and requirements outline the proper packaging of goods. Following the packaging guidelines can both prevent damage and other issues from happening in the first place and increase your chances of prevailing in the claims process.

INSPECTING FREIGHT UPON DELIVERY

Immediate inspection of all deliveries is vital in the claims process—the earlier you notice damaged or missing goods, the better. Whether it's damaged goods, shortages or another type of loss, good notation and inventory will increase the chances of getting the maximum payout.

- > Review freight as soon as it's delivered, before signing the delivery receipt. This doesn't require you to break down or unpack the shipment while the driver is present, but a good inspection and walk around the freight is recommended.
- > Document any missing or damaged cargo on the delivery receipt, including the item type, amount of missing/damaged goods and any other info. Taking photos of the freight is also helpful. Use specific details and try to avoid general terms such as "box damage" or "torn." This type of notation does not provide adequate support for your claim. A notation of "subject to inspection," by itself, is not considered a valid notation of loss or damage. Example of Proper Notation: "1 carton Ink Cartridge #CN-1456 crushed and cartridge cracked."

- > Don't dispose of the freight or its packaging until the claim process is over. A representative from the carrier might need to inspect the shipment. Failing to retain the damaged freight will result in the claim being denied.
- > Pay the freight charges. While this might seem counterintuitive, delaying payment can also delay the claims process. Paying the freight charges on-time will also result in a more timely resolution.

SHORTAGES

Keep a tally record when receiving a large number of items or the shipment consists of a number of different items. Make sure to check the labels on all handling units to check for shortages as goods are being unloaded.

Keep the shipment together until unloading is complete, in case a recount is necessary. Just like damages, note shortages on the delivery receipt before signing. The carrier is responsible for Handling Units, not piece count. If a pallet looks like it's been rewrapped or tampered with, noting that the shrink wrap isn't intact will help prove carrier liability.

TIMING

If the issue was noted at the time of delivery, claimants have nine months from date of delivery to file claims for loss and/or damage (see below for issues noted after delivery).

If any part of a shipment is refused because of damage, the nine months begins when the shipment was originally scheduled for delivery. A claim isn't considered as filed until it is received by the carrier.

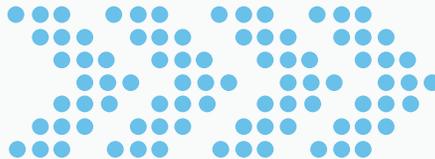
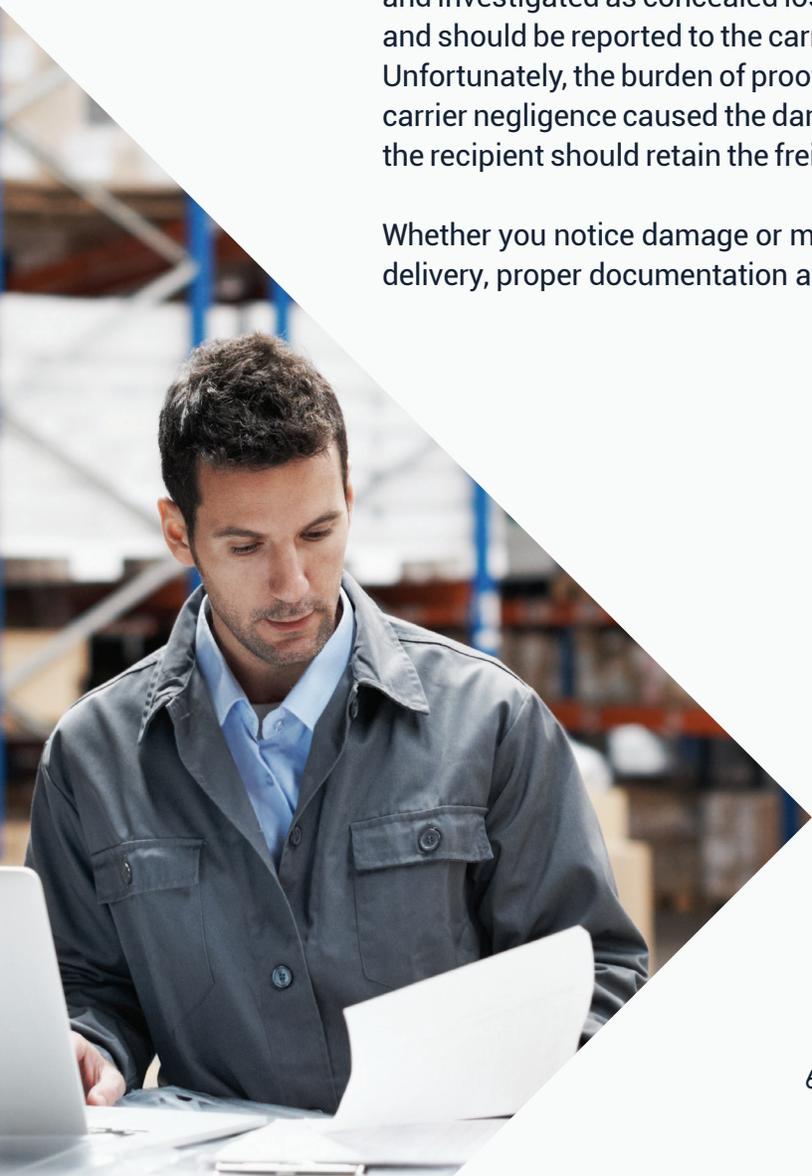


When Damage Isn't Noticed Until After Delivery

Documenting exceptions while the driver is present ensures all parties acknowledge the same information, helping to reduce potential delays in the claims process.

But sometimes, damage isn't discovered until after delivery, often due to packaging obscuring the damaged or missing goods. It's not ideal, but there's still some time. These claims are considered and investigated as concealed loss or concealed damage claims and should be reported to the carrier within five days of delivery. Unfortunately, the burden of proof is on the claimant to show carrier negligence caused the damage. As with all damage claims, the recipient should retain the freight until the claim is resolved.

Whether you notice damage or missing goods during or after delivery, proper documentation and timely reporting are essential.



The Legality of Freight Claims

Understanding the Carmack Amendment is essential to successful freight claims.

The law outlines the rights, responsibilities and liabilities of carriers in the event of a freight claim.

Essentially, the carrier has liability for the damage, as long as the claimant can prove three elements:

- The goods were sufficiently packaged and in good condition before delivery
- The goods were delivered damaged or missing
- The specific amount of damages



As always, check with Flat World if you think your loss might be excluded under the Carmack Amendment.

However, there are five exceptions for carriers under the Carmack Amendment:

01

An Act of God or an unanticipated event like a natural disaster or medical emergency. In some instances, carriers are expected to take preventative measures for these situations.

02

Public Enemy or **Act of War** occurs when damage is caused by enemy military forces, typically in a warzone.

03

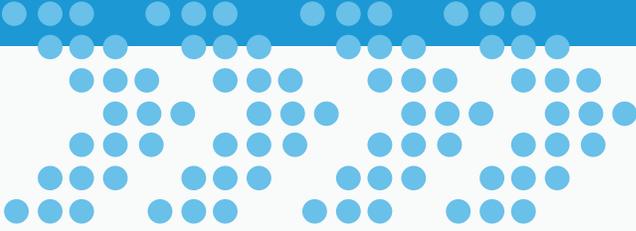
Act or Default of Shipper is an exception when the carrier can prove the damage or loss was caused by the shipper's negligence or mistakes in packaging, loading, mislabeling or other faults.

04

Public Authority occurs when government actions, including tariffs, recalls and road closures, negatively impacts cargo.

05

The Inherent Vice or **Nature of the Goods** comes into play for goods that can decay, easily become defective or carry disease, such as food and biological items. These situations can be tricky, though. If a carrier's actions lead to accelerated decay or other damage, the carrier can be liable.



Filing a Freight Claim

Documentation is key in filing a claim.
Keep this checklist handy:

- ☑ Proof of delivery
- ☑ The original BOL, or bill of lading
- ☑ Explanation of loss or damage
- ☑ Dollar amount being claimed
- ☑ A copy of the original vendor invoice showing the value of the goods being transported
- ☑ Photos of the goods and packaging, if damaged
- ☑ Replacement invoice or repair bill
- ☑ Paid freight charges



After Filing a Freight Claim

After submitting a claim, carriers have up to 30 days to acknowledge the claim by assigning a claim number and adjuster.

Here's what to expect after you've filed:

CARRIER INVESTIGATION

The carrier will review the claim, including all damages and losses. The carrier might request additional information during this phase, which is one reason why keeping the freight until the claim has been settled is important.

CARRIER DECISION

Generally, carriers have 120 days to make a decision. However, your individual claim may vary based on the situation. While a claims partner or third party logistics company can't force a carrier's hand, they can certainly help speed the process along and keep you informed throughout the claims process.

PAYMENT OR APPEAL

Depending on the outcome, you may file an appeal to a denial, settle for a portion of your loss or recover the full loss.

If an appeal is needed, supporting documentation will be required to consider a change in the claim.

A lawsuit can also be filed against the carrier but needs to be done as soon as possible after the date the claim is disavowed. Consult with your claims partner on the best option if your claim is denied.

Unfortunately, disagreeing with the claim denial isn't enough. You can work with a Flat World Claims Specialist to provide a detailed description of how your shipment was sufficiently packaged and how the shipper and recipient (consignee) were not responsible for the damage or shortage when filing a dispute or appeal.

Preventing Freight Issues

Optimizing your packaging is one of the most important things you can do to avoid freight damage, loss and claims.

Of course, the nature of a shipment's packaging will depend on the goods being transported. Spending a bit more to ensure the packaging is protective and effective can prevent extra unnecessary costs later on. Consider the following when packaging your cargo:

DENSITY Use smaller boxes or fill in empty space with padding or other products.

LABELS Indicate whether the package is fragile, needs to be right side up, can only bear a certain weight, or has other restrictions. Be sure to remove old labels and place labels where they'll be seen and not easily damaged in transit.

CLIMATE Heat, cold, humidity and condensation can all damage shipments. Make sure your packaging accounts for the weather of its origin, destination and everywhere in between.

PALLET Just like the individual items on it, a pallet should be as dense and protected as possible.

DATA Use the data from your transportation management system, or TMS, to determine which products, carriers or lanes result in the most damage to improve operations.

Investing in Freight Insurance

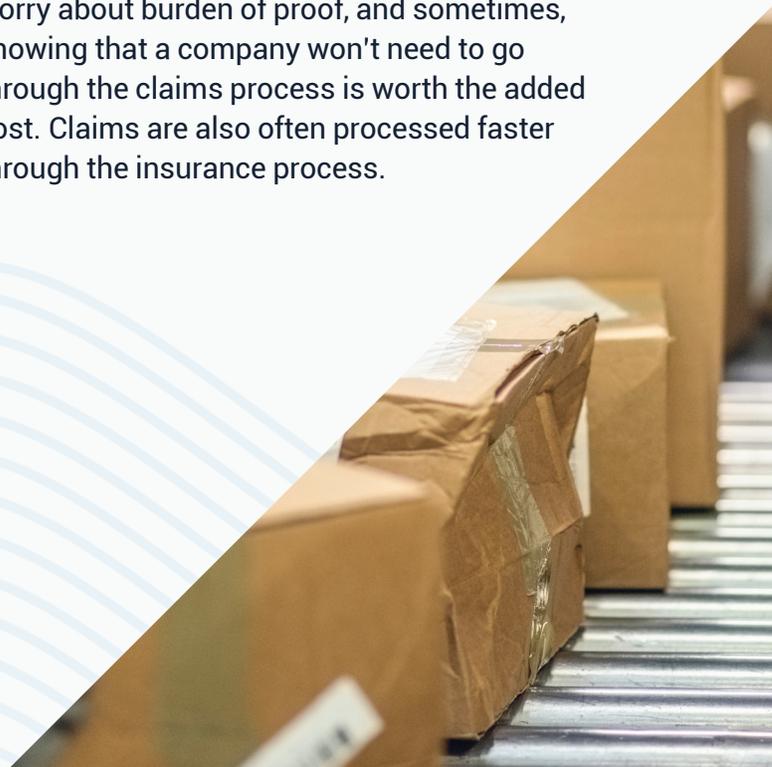
Transportation carriers include some liability in the cost of shipping, meaning that if items are damaged, the carrier will reimburse up to a certain amount.

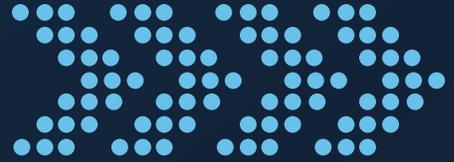
The amount of coverage depends on the commodity class of what's being shipped. The amount of liability a carrier will offer for a shipment is important to consider when deciding whether to purchase insurance.

For example, if a carrier's liability is \$10,000, but the goods shipped are worth \$90,000, additional insurance is a good idea, because the company could potentially lose \$80,000 worth of product.

You can also purchase insurance through Flat World's third-party partner, which usually costs a fraction of the price when purchasing through the carrier.

With freight insurance, shippers don't need to worry about burden of proof, and sometimes, knowing that a company won't need to go through the claims process is worth the added cost. Claims are also often processed faster through the insurance process.



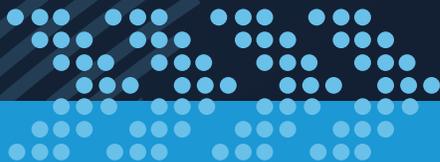


About Flat World

Flat World Global Solutions is a transportation logistics and technology partner dedicated to helping companies keep their supply chains moving.

We guide companies through the claims process, making it easier, faster and less of a headache than going at it alone.

Flat World's proprietary transportation management software, Pipeline, provides deeper insights into your transportation operations to prevent freight damage before it happens. We can also conduct packaging and carrier audits to find opportunities to improve, resulting in time, energy and cost savings.



If you have questions about improving your supply chain or filing freight claims, contact us today.

www.flatworldgs.com
claims@flatworldgs.com
(636) 265-1460

To learn more about Flat World and our services and technology, visit flatworldgs.com.