4. Cargo Claims Settlement Procedures & Claims Documents

(1) **Target:** To understand the Claim Settlement Procedures & claim documents

The readers are requested to understand how to deal with the various processes that occur in every stage of the claim settlement procedure. The principal aim of any claim settlement process is to **settle the claim in a fair manner & in a reasonable time.** The claim handler should be aware that poor claim handling services will result in an unfavorable reputation to the company, and an insurance company that does not pay its valid claims will soon be without any customers.

Regarding the claim documents, it is the duty of the insured to submit all documentary evidence relating to the details of the loss.

**[Key issue]**

a) Notice of claim  
b) Survey and survey company  
c) Cargo disposal manner.

(2) **Explanation**

**Important issues to be considered during claim settlement procedure**

During the claim review process, the claim handler should check the following aspects to decide whether the relevant claim can be covered or not. If he or she discovers that the incident is not within the scope of the policy coverage or some part of the loss was caused by an incident not recoverable under the policy, immediate advice to the claimant is required.

A) **Duration of coverage**-Was a policy issued and if so, whether it is still in force at the material time of the loss or damage?  
B) **Cause of damage**-Is the loss the result of an insured peril?  
C) **Subject insured**-Is the property covered by the policy?  
D) **Kind of loss or expenses**-Is the loss and/or expenses covered even if the relevant incident is within the scope of the policy coverage?  
E) **Risk & title of the cargo**-Is the claimant entitled to the payment?  
-Did the loss occur at a point or place covered by the insurance contract?  
F) **Claim settlement procedure**-Has notice of the loss been received by the insurance company without undue delay? -Have all required documents been received and in order?
Claim settlement procedure

1. Notice of claim to the insurer

The claim handling process starts with notification of loss by the claimant to his insurance company or his agent. Prompt notification is important because the sooner the insurance company can begin an investigation, they would also be able to suggest measures to be adopted to minimize the loss and to take steps for salvage &/or recovery against the responsible parties.

When submitting a notice of claim, the claimant is required to advise the following information to the insurance company or their agent.

1) Policy NO.
2) Cargo- kind and quantity shipped & damaged
3) Vessel name
4) Date of shipment and date of accident
5) Accident point
6) Kind of casualty & probable cause, if possible
7) Contact person & address for survey
8) Cargo owner’s intention regarding cargo disposal.

2. Survey

On receipt of the notice of claim from the insured, the claims staff will have to decide on whether further investigation and assessment is required. Usually in very small losses where recovery against third party seems to be difficult and fraud is not suspected, detailed investigations are generally waived. The insurance company will settle the claim on the basis of information submitted in the claim documents.

For all claims other than the above category, the insurance company or their agent will assign an independent survey company for the investigation of the case.

Remark: Traditionally, the claimant appoints an independent surveyor to prove that the loss in question actually occurred due to a recoverable risk, the cost for which is initially paid by them. After that, the claimant submits a formal claim with the survey report to the insurance company, making the cost of the survey part of his claim. However, in the modern way, the insurance company will generally arrange for survey themselves directly.

3. Cargo disposal

The cargo owner has a responsibility to dispose of the cargo even if it has sustained heavy damage so as not to be useable for its original intended purpose.

The cargo owner is requested to choose the fair and reasonable way when they dispose of the cargo, which should be confirmed with the surveyor and insurance company.

Usually, the following ways are to be considered for cargo disposal:
a) Recondition or repair  
b) Sale to the original user with depreciation (sometimes, after reconditioning)  
c) Sale to another user for another purpose  
d) Dispose as scrap  
e) Total loss  

In practice, the surveyor sometimes proposes a certain % for depreciation before any alternative disposal of the cargo. The % is determined in consideration of the above a) ~e), and which is called an “Allowance” agreement.  

4. Fix claim amount & payment  
After the surveyor approves the proposed disposal of cargo and fixes the loss incurred, the claimant is requested to submit the documents supporting the disposal, as well as the shipping documents and survey report to the insurance company or their claim settling agent at the destination. The insurance company checks the documents, and if in order, they will pay the claim money. The claim money is paid by cheque in the South East Asian area. Following payment, a subrogation receipt must be obtained so that the insurers may pursue recovery efforts in the name of the assured.  

<table>
<thead>
<tr>
<th>Parties concerned</th>
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<tr>
<td>(1) Claim settling agent</td>
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<tr>
<td>(2) Forwarder</td>
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<td>(3) Ship owner</td>
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<td>(4) Stevedoring company</td>
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<td>(5) Surveyor</td>
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<td>(6) Loss Adjuster</td>
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<td>(7) Average Adjuster</td>
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<td>(8) Salvage buyer</td>
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<td>(9) Recovery agent</td>
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<td>(10) P &amp; I club</td>
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<td>(11) Solicitors (Attorneys)</td>
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5. Claim Documents

Marine cargo claims require a separate set of documentation and they may vary according to the type of loss (total loss, partial loss, etc.) under consideration. The following documents are generally the standard ones which are required for the typical marine accidents.

a. Claim Note
b. Policy (Original)
c. Commercial invoice (Copy)
d. Packing List (Copy)
e. Bill of Lading or Air Waybill (Original, in case of Total Loss claim)
f. Out turn Report or Discharging Record
   A document indicating the condition of cargo at the time of discharge from the ocean vessel is called a "Cargo Boat Note" in Japan, but it may have other titles in other countries.
g. Vouchers for expenses
h. Survey report (Original)
i. Claim Notice to carriers (copy) and response from carries regarding their liability.

Claim Note must be provided by the party who has a right to file claim against the insurer. The note should be signed by the responsible person in that company and should show the claim amount that they want to recover from the insurer.

Policy must be either an original, duplicate or triplicate copy, all of which are valid for the purpose of a claim. We must always recover one policy to avoid double payment and, in the absence of the original, a letter of indemnity for non-production of a valid policy must be obtained from the assured.

Commercial invoice need not be original but it is evidence of the insurable interest of the parties concerned and can establish that the claimant is a legitimate assured under a policy duly endorsed by the shipper. Besides the invoice, a packing list &/or weight list should be obtained when applicable.

Bill of Lading. A full set of valid Bs/L must be collected in the case of a claim for total loss. If transshipment is involved, the name of the transshipment vessel should be checked by obtaining the B/L, if any, by this vessel.

Cargo Boat Note. Tally Sheets or Delivery Receipts are necessary to ascertain where in transit the loss or damage occurred.
Vouchers for expenses usually referred to in the surveyor's report, must be checked to determine whether the expenses are recoverable under the policy.

Survey Report must contain certain minimum necessary information selected from all of the available data. The most important information is the surveyor's opinion as to the cause of loss or damage. If the available information in his hands is insufficient to express a definite opinion, it is advisable that he should comment on all possible causes. As explained before, the claimant often appoints the surveyor by himself; so, the surveyor’s fee should be paid by the claimant first. However, the insurer will reimburse the fee to the claimant if they agree to the settlement and service of that survey company.

Correspondence exchanged with the carriers or other bailees is necessary to know how an accident occurred, and to evidence that notice of claim has been given.
<table>
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<th>QUANTITY</th>
<th>UNIT PRICE</th>
<th>AMOUNT</th>
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<td>COLD ROLLED STEEL SHEET</td>
<td>10 COILS</td>
<td>170.430</td>
<td>1,704.30</td>
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**TOTAL**

10 COILS

M/T 9,922.10

P. P. MANAGER
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<tr>
<th>DESCRIPTION</th>
<th>QUANTITY (GROSS WEIGHT)</th>
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<td>COLD ROLLED STEEL SHEET IN COIL</td>
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**GROSS TOTAL**: 10 COILS

**W/T**: 170.458

**N/T**: 177.898

P. P. MANAGER
**Bill of Lading**

**Shipper**

**Consignee**

**Notify Party**

**Local Name**

**From**

**Queen Ship**

**Voyage No.**

**Flag**

**Final Destination**

**Port of Loading**

**Port of Discharge**

**Transhipment to**

**COUNTRY OF ORIGIN**

**No. & Kind of Flag**

**Description of Goods**

**Gross Weight**

**Measurement**

**Said to be:**

- **PARCELS:**

  - Cold rolled steel sheet in coil (1000 gsm/200 gsm)
  - Mild steel alloy coated steel sheet in coil (600 gsm)
  - Hot dip galvanized steel sheet in coil (200 gsm)
  - Hot dip galvannealed steel sheet in coil (100 gsm)

- **AS PER ATTACHED FILE**

  - L/C No.: 2111-4113224

**Total Number of Packages or Units (in words)**

**Freight & Charges**

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**Freight Prepaid**: S.EUL KOREA

**Freight Payable at**: S.EUL KOREA

**Place of Issue**: S.EUL KOREA

**Date of Issue**: JUL. 31, 2000

**Bill of lading issued on Vessel**

**Bill of lading signed by an Authorized Officer of the carrier company.**
Airway Bill

THAI AIRWAYS INTERNATIONAL PUBLIC
COMPANY LIMITED
89 WITAYA
RANGSIY ROAD, BANGKOK 10900, THAILAND

YANGON BRANCH
SWенных PLAZA
BUILDING 2ND FLOORS, NO. 321 D 9,
CORNER OF SWенныхDINE ROAD AND KABA
NO. 99-40 HOOD ROAD, BAHAR TOWNSHIP

YUEN ER & SEA SERVICE CO., LTD.
TOKYO, JAPAN

THAI AIRWAYS INTERNATIONAL PUBLIC
COMPANY LIMITED
89 WITAYA
RANGSIY ROAD, BANGKOK 10900, THAILAND

**YANGON, MYANMAR**
TEL: 95-1-54113

**2) NISSIN CORPORATION C/O MYANMA FIVE STAR LINE**
NO. 132 136, THEINBYU ROAD, BOTATAUNG TOWNSHIP, YANGON
TEL: 95-1-201052

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**SAME AS CONSIGNEE**

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**UNACCOMPANIED BAGGAGE**

**USED PERSONAL EFFECTS**

**PASSPORT NO.: T00954275**

**FLIGHT NO.:**

**TICKET NO.:**

**DATE OF BIRTH:**

**INN NO.:**

**FREIGHT: PREPAID**

**ORIGIN: JAPAN M3-4-844**

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**27 MAR, 2001 TOKYO, JAPAN**
This is the remark noting the condition of the cargo discovered when the cargo was handed over from the vessel to the receiver.
Devanning Report

Applicant: W.W.E. Co. Ltd.
Consignee: Forwarder: Lhd.

Bare of Vessel: P
Total: Arrived at: Kho on: Aug. 22, 1974
Place of Discharging: Penang

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Total (909) Pkgs: 20 x 5 containers: 101,000 lbs. / ft. on b.v.s.

This is the remark, which was observed when devanning.
This is a remark which was observed at time of delivery.
(3) **Revision Question**

**Question — Cargo Claims Procedures**

Answer True or False? If false, you are requested to write down the correct explanation.

(1) Prompt notification of loss by the insured is important as it enables the insurer to suggest measures to minimize the loss.

(2) The insurer will appoint surveyors to investigate every claim.

(3) It is important to confirm that the claimant is legally entitled to receive the money paid for a valid claim.

(4) Usually, the insurance company will pay total loss amount, even though the cargo sustained slight damage, because the title or ownership is automatically transferred from the cargo owner to them.

**Question — Cargo Claims Documents**

Answer True or False? If false, you are requested to write down the correct explanation.

(1) The only document needed to process insurance claims is the claim form.

(2) A claim form will give information about the accident or loss concerned, but says nothing relating to information already in the policy.

(3) Marine claims will normally require the production of the original policy.

(4) The invoice provides evidence of the value of the shipment.

(5) The Sea Protest is evidence of the loss having occurred.

(6) The insurer cannot pay the survey fee if the cargo sustains total loss damage because the insurer’s liability is only up to the insured amount.
**Answer Sheet**

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<th>Fax No.:</th>
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<tbody>
<tr>
<td>Attn:</td>
<td>Ms.Ariel Cheng Sock Leng</td>
<td>Your Ref.:</td>
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<tr>
<td>From:</td>
<td>Company Name:</td>
<td>Our Ref.:</td>
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**Answer — Cargo Claims Procedures**

<table>
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<tr>
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<th>Correct explanation if applicable</th>
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**Answer — Cargo Claims Documents**

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<th>True or False</th>
<th>Correct explanation if applicable</th>
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