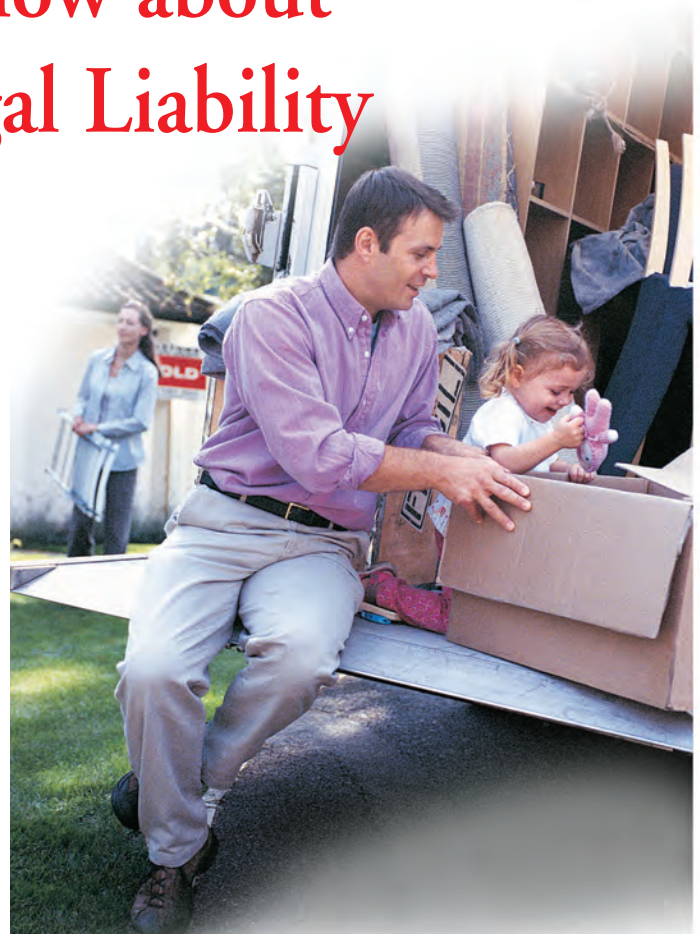


# Moving & Storage Industry Executives: What you need to know about Warehouseman's Legal Liability

*Moving and Storage Insurance experts Louis Hefter and Jeff Cook explain what you need to know about Warehouseman's Legal Liability insurance coverage*



## **What is Warehouseman's Legal Liability?**

Warehouseman's Legal Liability insurance coverage is designed to insure the warehouseman (called the "bailee") against loss or damage to property of others (the owner or "bailor" of the goods) while in their care, custody or control as a result of the warehouseman's legal liability.

If a claim occurs, the insurance company providing the coverage has a duty to investigate any claim for loss or damage. If the warehouseman is deemed to be legally liable for loss or damage to the owner, the insurance will pay any damages as required. Sometimes the payment by the insurance company may be greater than the actual loss. This is because the policy is a legal liability cover, and the defense expense can add to the payment that is made.

## **What if my company is sued?**

Defense costs related to a lawsuit brought on behalf of the owner would also be covered if the policy includes a duty to defend and will also include other expenses related to the lawsuit brought against the warehouseman.

## **What is the difference between the two storage terms used in the moving industry, Storage in Transit ("SIT") and Permanent Storage ("Perm Storage")?**

**Storage in Transit (SIT)** is provided when the household goods are brought to the warehouseman prior to reaching their final destination. This is not considered storage of household goods. These household goods are considered to be in transit as they remain under a bill of lading and no Warehouse Receipt was issued deeming the household goods to be in permanent storage.

At this point, the warehouseman is considered a carrier of the household goods and Carrier's Legal Liability, which is much broader than Warehouseman's Legal Liability would be applicable.

Usually, the moving company providing the SIT will

also transport the household goods out of the warehouse to the final destination. SIT is usually available for a pre-determined number of days set by the moving company. The industry standard is 90 days.

Once the specified time frame elapses, a conversion letter indicating that the goods will convert into permanent storage should be sent to the owner and a Warehouse Receipt must be issued. If it is not sent, the goods would be deemed to remain "in transit". No specified time framed is required for household goods to be considered in permanent storage. However, once they are in permanent storage, they can be in permanent storage for any period of time.

**Permanent Storage** is provided to an owner who intends on having his household goods in storage for a prolonged period of time. A Warehouse Receipt is then issued for permanent storage.

### **What is the difference between Released Value and Declared Value?**

In the Moving & Storage Industry we commonly refer to two main options for the owner's valuation of his household goods, Released Value and Declared Value.

**Released Value** is when the owner declines any additional level of protection other than the dollar amount per pound that the warehouseman offers in their local tariff and noted on the bill of lading.

**Declared Value** is when the owner purchases a higher valuation for his household goods. In most cases this is a higher dollar value per pound.

According to the American Moving and Storage Association ( A.M.S.A.), the majority of household goods carriers use \$5.00 per pound. The owner can also declare a set amount as his valuation for his household goods. The rates for these higher valuations should be contained in the warehouseman's tariff.

Neither Released nor Declared Values are insurance and should not be noted as same. These are merely

## **KEY POINTS**

- **For Storage in Transit the warehouseman is considered a carrier of the household goods and Carrier's Legal Liability, which is much broader than Warehouseman's Legal Liability would be applicable.**
- **Neither Released nor Declared Values are insurance and should not be noted as same.**
- **In instances where Permanent Storage is triggered, it is very important that the warehouseman have the owner sign the Warehouse Receipt. The warehouseman's failure to issue a Warehouse Receipt could result in a denial of coverage.**
- **In a first party contract, the owner's failure to insure to 100% of value could result in him absorbing a co-insurance penalty as outlined in the Agreement to Insure or Certificate.**
- **Failing to have the owner sign that he was offered the option to purchase a higher declared valuation other than the per pound valuation could result in the warehouseman being responsible for the actual depreciated value of the owner's goods if there is a loss.**

declared values and will be used to determine how damages would be calculated if the warehouseman is determined to be legally liable for loss or damages to the owner's goods.

### **What protection does the owner have while their household goods are in storage at your facility?**

Personal homeowner's policies may provide some level of protection to the owner. However, in most instances where permanent storage is triggered, there is no longer a home being insured. Thus, there is no applicable homeowner's policy. The owner has the duty to determine what, if anything is covered under his homeowner's policy if his household goods are damaged while in the care, custody or control of the warehouseman.

The Warehouseman's Legal Liability policy will only pay for loss or damage to the owner's goods based on the declared value chosen by the owner on the Warehouse Receipt if the warehouseman is legally liable to the owner. It is very important that the warehouseman have the owner sign the Warehouse Receipt.

### **Where would your shipper find coverage if a fire started in your warehouse that was not a result of your negligence?**

Most insurance companies specializing in providing Warehouseman's Legal Liability coverage to the Moving & Storage Industry offer first party contracts, i.e., Agreements to Insure or Certificates that the warehouseman can offer to the owner. These contracts provide All Risk coverage (some exclusions do apply) to the owner and most offer Replacement Cost or Actual Cash Value declaration options.

Some moving companies will include a predetermined amount of coverage in their order for service or estimate, or as outlined in their tariff. This does not always satisfy the obligation to pay for loss or damage other than to those related to the warehouseman's legal liability.

### **Why is it critical to understand "first party contracts"?**

It is critical that you understand the requirements of these first party contracts when storing the owner's household goods. When using the industry standards, it is highly recommended that your salespeople discuss with the owner the importance of insuring their household goods to 100% of value. The owner's failure to insure to 100% of value could result in him absorbing a co-insurance penalty as outlined in the Agreement to Insure or Certificate.

Not discussing this in detail with the owner and/or failing to have the owner sign that he was offered the option to purchase a higher declared valuation other than the per pound valuation could result in the warehouseman being responsible for the actual depreciated value of the owner's goods (common law) if they were deemed legally liability to the owner for loss or damage to his household goods.

### **Why should a Warehouse Receipt be issued for permanent storage?**

It is imperative that a **Warehouse Receipt** be issued on all permanent storage lots. This is the document that the warehouseman provides to the owner which states the terms and conditions of the storage of the household goods as well as an inventory of the household goods in possession of the warehouseman.

If an Agreement to Insure or a Certificate is issued to the owner by the insurance company for the storage of the owner's household goods, it will take precedence over the Warehouse Receipt. If the owner declines to purchase this added level of protection for his household goods, the Warehouse Receipt is the only document the warehouseman has as a defense against a claim for loss or damage by the owner.

It is important to note that most, if not all, Warehouseman's Legal Liability insurance policies require that the warehouseman issue a Warehouse Receipt when accepting the owner's household goods for permanent storage. The warehouseman's failure to issue a Warehouse Receipt could result in a denial of coverage.



*Written by:*

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**Jeff Cook** is a Marine Specialty Underwriter for The Hanover Insurance Group. His 30 years of insurance industry experience began as a claims adjuster at Liberty Mutual in Boston and later INA (CIGNA) in Boston. He later joined Hanover Insurance as a Senior Casualty Adjuster, handling claims for the Moving & Storage Industry. Then he became a Marine Specialty Underwriter at Hanover Insurance, specializing in Inland Marine coverage for Household Goods Movers, which he writes through The Hanover Moving & Storage Advantage. In addition, Jeff wrote the current Moving and Warehousing Coverage Form at The Hanover Insurance Group. He is a member of several Moving and Storage Associations, and he has spoken about Carrier's Legal Liability and Warehouseman's Legal Liability at many industry seminars.

Capacity Coverage's Ross & Company Division specializes in insuring the Household Goods Industry. For more information please contact Louis Hefter at **800.222.2425** or **lhfter@capcoverage.com**.

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- Bonding for your employees and independent operators available up to \$5M
- Workers' Compensation Insurance
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