THE SHIPPING STANDARD

OUR EXPERTISE · YOUR ADVANTAGE

JULY 2026

ISSUE 97

A Common Misconception: Carrier Liability Does Not Provide Full Coverage

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One of the costliest misconceptions in global trade is the belief that a carrier's liability coverage will fully reimburse a shipper if cargo is lost, damaged, or destroyed. Unfortunately for many shippers, the reality is that this coverage is very limited, and that discovery is usually made only after a claim occurs.

The confusion is understandable.

After all, shippers pay carriers, freight forwarders, and logistics providers to safely move their goods from origin to destination.

Many assume that if something goes wrong, the transportation provider's liability coverage will make them whole. However, carrier liability is often limited by a variety of factors, including contractual restrictions and something called per package limitations, which limits, by law, a carrier's liability to $500 per package, even if they are responsible.

As a result, a shipment worth tens or even hundreds of thousands of dollars may qualify for far less compensation than its true commercial value.

These risks become even more significant in maritime shipping because of a principle many importers and exporters know little about: General Average.

General Average is a centuries-old concept of maritime law that remains in effect today. Under this principle, when cargo or vessel property is sacrificed or expenses are incurred to preserve the vessel, voyage, or remaining cargo, those costs may be shared among all cargo owners aboard the vessel – not just the carrier. As a result, even if a shipper's cargo arrives safely and undamaged, the shipper may still be required to contribute financially to the incident.

> "Many shippers are shocked to learn they can be held responsible for accidents under General Average, even when their cargo arrives in perfect condition," said Anthony Fullbrook, President of OEC Group's North American Region. "However, cargo insurance typically covers these obligations, while carrier liability generally does not. Shippers who assume any accident is covered under carrier liability are often surprised to discover they are financially responsible for an incident they did not cause."

What makes every loss particularly frustrating is that the financial setback could often have been avoided. Cargo insurance is remarkably affordable when compared to the potential financial exposure associated with a major shipment loss. For a relatively small premium, shippers can secure coverage that protects the full value of their cargo against a wide range of risks, including physical damage, theft, loss, and General Average events.

As the post-COVID years have demonstrated, global supply chains remain highly vulnerable to disruption from extreme weather, public health emergencies, geopolitical tensions, and significant policy shifts. In an environment where unexpected events can occur with little warning, cargo insurance offers a cost-effective safeguard against potentially devastating financial consequences.

> "Carrier liability was never designed to serve as comprehensive cargo insurance, and relying on it as your primary form of protection can leave your business exposed to substantial losses," said Joe Klobus, OEC Group's Regional Insurance and Claims Manager. "A modest investment in cargo insurance today could prevent a major financial setback tomorrow. In an industry where uncertainty is unavoidable, cargo insurance remains one of the most valuable tools available to protect both your freight and your business."

NAVIGATING CHANGE: RAIL EXECUTIVES DISCUSS POLICY PRESSURES AND INFRASTRUCTURE ADAPTATION

Norfolk Southern's Chief Sustainability Officer, Josh Raglin, and USD Group's Vice President of Business Development, Blake Borgen share their perspectives about the pressures the railroad industry has been facing and how infrastructure has been adapting to changing policies.

Josh Raglin, Chief Sustainability Officer, Norfolk Southern, shared exclusively with OEC Group about how Norfolk Southern's plans to reduce emissions intensity by 42% by 2034. Click here to learn more.

Blake Borgen, Vice President, Business Development, USD Group, discussed with OEC Group the importance of logistics infrastructure and rail, and how changing trade policies and regulatory pressures are impacting the industry.

VIEWPOINT

ACCEPTING A STRAIT OF HORMUZ SERVICE FEE COULD CHANGE THE LOGISTICS INDUSTRY

A service fee at the Strait of Hormuz has the potential to cause significant harm to the logistics industry, as it would turn one of the world's most important waterways into a geopolitical tollbooth.

The fee would do far more than cause rates to increase. It would force the entire industry to change the way it does business by making shippers reconsider trade lanes, sourcing strategies, freight rates, and insurance exposure.

What makes this even more dangerous is whether the decision of when to charge a fee, and to whom, becomes politically driven.

A fee that could continuously change based on the whims of the countries imposing it, including factors such as a vessel's flag, cargo origin, routing decisions, or diplomatic tensions, would create significant uncertainty and it could force carriers and insurers to treat all chokepoints as a higher-risk destinations.

That may influence manufacturing decisions, as companies exposed to a chokepoint that can be monetized or politicized would likely seek production and sourcing locations that reduce that exposure. Over time, this could contribute to a broader shift in global trade lanes and supply chain strategies.
Needless to say, the geopolitical risk is real.

A Hormuz service fee could destabilize the region by challenging the principle of free transit through international straits. Many experts believe that if Iran successfully redefines passage as a paid security service, other countries controlling strategic waterways may be encouraged to pursue similar measures. That would create an extremely dangerous precedent for global trade.

Think about it. What would stop the United Kingdom from charging a service fee to vessels transiting the Strait of Gibraltar, or Turkey from doing the same for vessels passing through the Bosphorus Strait? Worse, such tolls could be used as leverage against nations during periods of trade disputes or tariff-driven tensions.

Moreover, this could compel major powers to seek greater influence over strategic maritime chokepoints that they view as being in their national interest. This is a slippery slope that could have very serious repercussions not only for the logistics industry, but for society as a whole.

At the moment, the future of logistics looks as though it will be shaped not only by rates, capacity, and demand, but also by who controls the corridors between ports.

This means that companies seeking to avoid service fees and reduce geopolitical risk will need to find sourcing options far from vulnerable maritime chokepoints, identify alternative routings, and develop strategies centered on stronger inventory buffers.

Shippers will also need to consider air freight alternatives, think proactively about their customs brokerage strategies, and review cargo insurance policies that can protect them if cargo becomes trapped in a chokepoint or faces significant delays.

To do this effectively, shippers will need to build relationships with experienced logistics experts who not only have deep industry connections but also offer a full range of services and a proven track record of solving complex supply chain challenges through creative logistics strategies.

Having someone on your side who can successfully recommend solutions and advocate for your business is one of the best ways to prepare for a world where access to major shipping lanes can no longer be taken for granted and where maritime transit is no longer guaranteed to be open, predictable, or free.

Dear Ahab:

What does the future hold for East Coast ports, and which will be the best option in the near and long term for efficiently importing my goods?

– Always Prepared

Dear Always Prepared:

The future of East Coast ports is strong, supported by population growth, significant infrastructure investment, and a continued shift of cargo from the West Coast. Ports such as New York and New Jersey, Savannah, and Charleston are all strengthening their roles as reliable gateways, each offering distinct advantages.

New York and New Jersey stand out for its scale, connectivity, and proximity to major consumption markets, making it a consistent choice for speed to market. Savannah continues to excel in efficiency and expansion, with a well-earned reputation for fluid operations and strong inland reach. Charleston offers a compelling balance of capacity and ongoing investment, with a lower congestion profile at times, supported by its smaller scale and more distributed volume base.

Because each port brings different strengths, there is no single clear choice. The most effective strategy is to work with a logistics partner that can leverage multiple gateways and adapt as conditions shift. Flexibility, supported by strong partnerships, will consistently outperform reliance on any single port.

Dear Ahab:

Ocean carriers are increasingly deploying blank sailing strategies to manage and tighten available capacity. What do I need to do to put my business in the best position to succeed?

– Cancel Culture

Dear Cancel Culture:

When carriers begin to blank sailings, the most effective response is to align yourself with partners who have strong, established carrier relationships and access to diversified capacity. These partners can help distribute your volume across multiple services and provide viable alternatives when disruptions arise.

It also requires discipline. The lowest rate may be tempting, but it often comes at the expense of reliability when the market tightens. Prioritizing consistency and credibility with carriers put your business in a stronger position when space becomes limited.

In this environment, stability wins. Reliable partnerships, supported by thoughtful planning, will keep your freight moving while less prepared shippers are left waiting.


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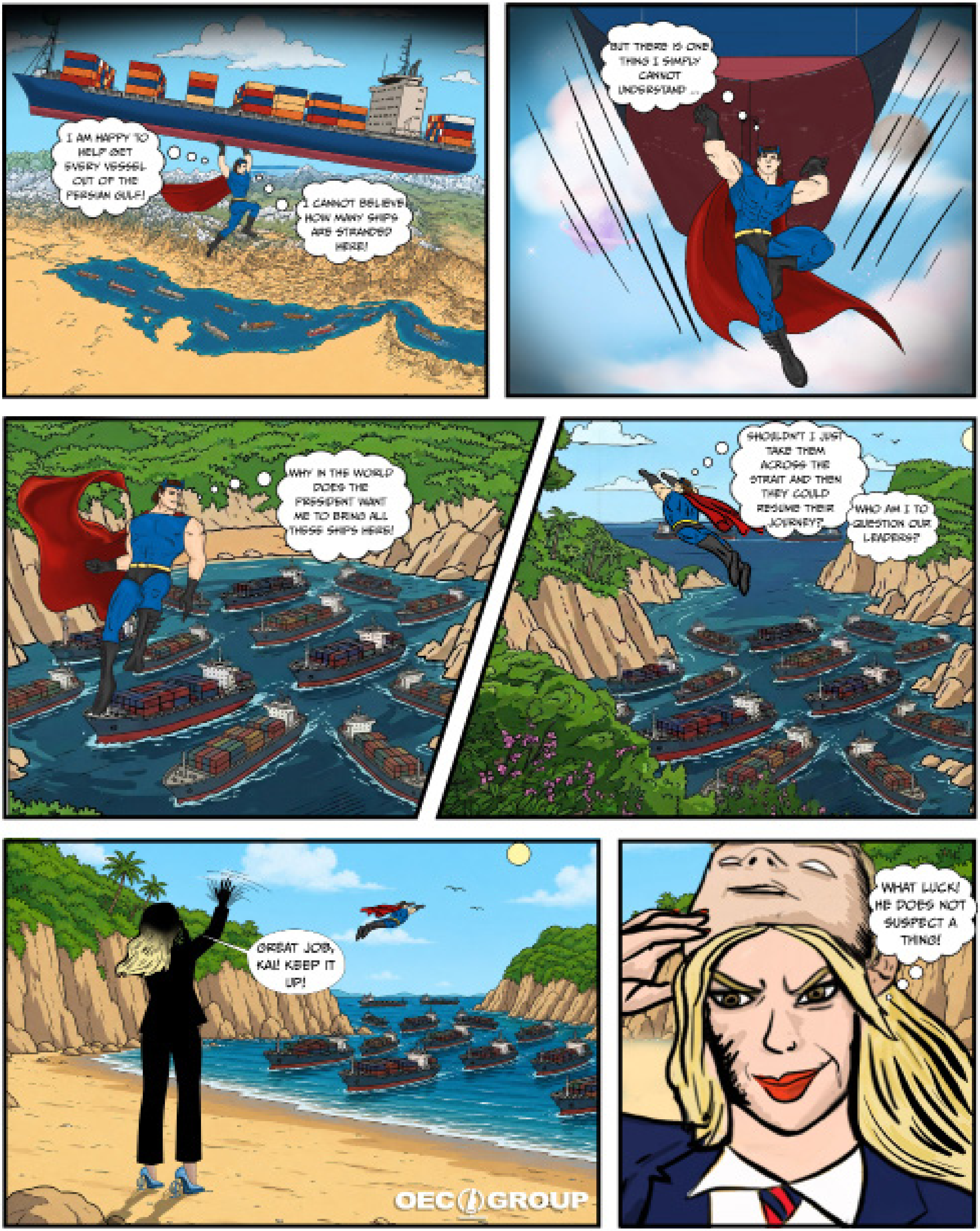
I AM HAPPY TO HELP GET EVERY VESSEL OUT OF THE PERSIAN GULF!
I CANNOT BELIEVE HOW MANY SHIPS ARE STRANDED HERE!
BUT THERE IS ONE THING I SIMPLY CANNOT UNDERSTAND ...
WHY IN THE WORLD DOES THE PRESIDENT WANT ME TO BRING ALL THESE SHIPS HERE!
SHOULDN'T I JUST TAKE THEM ACROSS THE STRAIT AND THEN THEY COULD RESUME THEIR JOURNEY?
WHO AM I TO QUESTION OUR LEADERS?
GREAT JOB, KAL! KEEP IT UP!
OEC GROUP
WHAT LUCK! HE DOES NOT SUSPECT A THING!

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Fun Facts About AIR CARGO

The air cargo industry generates over $100 billion in revenue annually.

The first air cargo flight took place in 1910, transporting silk from Dayton to Columbus, Ohio.

The Boeing 747 was the first aircraft specifically designed to carry both passengers and cargo.

The largest cargo plane in the world, the Antonov AN-225 Mriya, had a maximum payload of over 250 tons.

Hong Kong International Airport is the world's busiest air cargo airport, processing approximately 5 million tons of goods annually.

The longest nonstop cargo flight covered over 9,000 miles, from Hong Kong to Miami, taking nearly 16 hours.

The term "belly cargo" refers to freight transported in the lower deck of passenger planes.

Word Wheel

Directions:

Insert the missing letter to complete the nine-letter word reading either clockwise or counterclockwise.

D F

A R

O ?

L N

T

OEC GROUP

ABOUT

As an industry pioneer, OEC Group has become one of the world's leading logistics companies. We leverage in-house expertise, carrier partnerships, connections with ports and transportation hubs, and our network of offices in North America, Europe, Asia, India, South America, Australia, and the Middle East, to provide freight transportation, logistics, information, customs and brokerage, insurance, and technical services to over 50,000 customers of various sizes and industries.

We are also highly sought after for the advice we give shippers on how to optimally manage their supply chains. The guidance we provide is based on data analytics, best practices, and decades of industry knowledge.

We believe that relationships matter and treat your cargo as our own. Our experts are always investing in efficient, cost-effective, and cutting-edge services to evolve with the ever-changing market, address the complexities of any client's supply chain, and consistently perform at the highest level for our customers.

Our business is making our logistics expertise, your competitive advantage.

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