



## WORLD WIDE CLAIMS SERVICES

### Shipper's Fraud

A Merchant involved in the business of Perfume related products had taken a Marine cargo Open Policy with a local Insurance Co. The policy was subject to Institute Cargo Clauses (A). They have been purchasing their products from a supplier in China. The business was conducted through the supplier's Agent office in Dubai. Once the purchase details are agreed, the Merchant would make the payment in advance to the Agent. The cargo would then arrive in Dubai in the name of the Agent who will receive the cargo and deliver to the Merchant. There was no transaction through the banks as no L/C is opened. This practice has been going on for many years.

On the last occasion, the Merchant signed a purchase contract for USD 375,000. In this instance, the Merchant was advised to remit the money directly to the supplier in China instead of to their local Agent. The reason given was to avoid payment of VAT locally. Subsequently, the Merchant received from the Shipping line, the Cargo Arrival Notice along with a copy of the B/L in which they were shown as the consignee. However, they did not receive the original shipping documents from the supplier. Though they were initially advised by the supplier and their local Agent that the cargo will arrive soon, subsequently they stopped receiving any communications from them. Upon checking, they found that the Agent's office in Dubai is closed. Upon checking with the Shipping Line, they were advised that based on instructions from the shipper, the consignee's details were changed in their system and cargo was delivered to another party. All their efforts to contact the supplier did not succeed.

The matter was reported to the Insurance Co. who appointed WWCS to investigate. After reviewing the relevant documents and correspondences of the Merchant and following discussions with the Shipping Line, we concluded that the incident happened due to the "fraud" committed by the supplier and not due to any "transit peril". It was also noted that the Merchant had delayed in declaring the shipment to the Insurer. The declaration was made more than 3 months after the shipment was made from China. Though they found out from the Shipping Line that the cargo was delivered to another consignee, it was reported to the Insurer much later.

***"Never judge someone by the opinion of others. "***



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- "SOLUTION FOR ALL YOUR CLAIMS" -



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In view of the above, the Insurance company did not settle their claim. Since the Shipping Line had followed the Shipper's instructions as per standard shipping practice, the Merchant had no recourse against them either. They were left to consider legal action against the supplier in China.

*The incident highlights the risks of trading without involving banks and opening LCs. Merchants should always exercise diligence even if they have been dealing with the same party regularly.*

### LIFE POLICY – BUYERS BEWARE

An Insurance representative sold a Life Policy to a customer after obtaining his signatures on blank forms. The customer paid the quoted premium of Rs. 2 Lakh. A year later, he found that he is again debited with Rs. 2 Lakh under an ECS mandate. That was when he realized that the policy has an annual premium of Rs. 2 Lakh and not a one-time premium as explained to him by the Insurance Agent. As the premium was unaffordable, he sought cancellation of the policy and refund of Rs. 4 Lakh paid over two years. The Insurance Co. refused as the 15 day free lock in period had expired. The customer lodged a complaint with the Consumer Grievance Forum who upheld the Insurer's stand that the policy details were explained to the customer and no dispute was raised within the free lock in period. The customer appealed to the higher authority who reviewed the case and noted discrepancies in the Proposal form. They concluded that the Proposal form was incorrectly filled in by the Insurance representative without the customer's knowledge. It held the insurance contract to be one sided, illegal and not binding. However, since the customer failed to apply for cancellation of the policy within the free lock in period, it ordered the Insurance Co. to refund 75 % of the premium amounting to Rs. 3 Lakh along with 6 % interest. Further Rs. 10,000 was awarded as payout and Rs. 2000 towards legal costs.

*This is a typical example of how Sales personnel try to achieve their targets by misleading customers. It is upto the customers to be very diligent and carefully read and understand all the documents before they sign.*

***“Never stop learning because life never stops teaching “***



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### BRIDGE ON THE RIVER CHOLUTECA

A 484 meter long bridge was built on the river Choloteca in Honduras in 1998 by a Japanese firm. It was an engineering marvel designed to withstand storms and hurricanes which are prevalent in that region. Later that year, a severe hurricane hit Honduras causing massive devastation. River Choloteca swelled and flooded a vast area and almost 7000 people reportedly lost their lives. While there was destruction all around, the Choloteca Bridge remained unaffected. However, the roads approaching the bridge were washed away and more interestingly, the force of flooding caused the river to change course and flow around the bridge not under it. Though the bridge was able to withstand the storm, unfortunately it lost the purpose for which it was built.



Management Gurus are projecting this episode as an invaluable lesson in that everyone should be prepared to adapt to the constantly changing world. One should not be content with finding immediate stop gap solutions for existing problems. Problems should be dealt with a long term perspective envisaging all probable eventualities.

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