



TT Club Advise on Forwarder's Cargo Receipts

Freight transport insurance specialist TT Club was pleased to collaborate with the Japan International Freight Forwarders Association (JIFFA) in the revision of its Forwarder's Cargo Receipt (FCR) form, marrying the Club's expertise with practical freight forwarding experience.

London, 3rd September, 2012

TT Club has an established reputation for seeking to clarify the risks and liabilities involved in transportation and supply chain services for cargo owners. Recent industry feedback has confirmed that many forwarders continue to be unclear of the extent of their exposure to losses and other liabilities during the course of international trade.

As a result, the Japan International Freight Forwarders Association's (JIFFA) initiative to introduce a new Forwarder's Cargo Receipt (FCR) Form proved an ideal opportunity for TT Club to work with forwarders and share its own expertise and global experience on the topic.

JIFFA needed to revise its FCR to meet a demand from its members following the deregulation of freight forwarding. Ian Hyslop, Legal Consultant to the TT Club and Suki Kwan, Claims Executive in TT Club's Hong Kong office, were invited to input into this revision process. The revised FCR, and an accompanying publication entitled, 'Guide to Understanding JIFFA FCR' (in Japanese and English)*, were launched at seminars in Tokyo and Osaka in July 2012, in which the TT Club was delighted to participate.

The FCR is a document designed for a specific, but pivotal, use in contemporary freight forwarding. Essentially, it is a confirmation by a forwarder that it has received goods into its possession or control with irrevocable instructions to forward them to a consignee. The FCR can be a more flexible and cost effective solution to modern trade problems than a letter of credit or bill of lading - although it is designed to be used in conjunction with both of these as required. Astute use of the FCR can allow cargoes to be consolidated, for example to meet 'just in time' requirements, or to be re-shipped en route while protecting the identity of the seller.

If the FCR is to be used safely and effectively, its limited characteristics need to be understood. It is not a transport document, a contract of carriage, a negotiable document, a document of title or a document entitling the holder to delivery. But it does create certain contractual obligations between the forwarder and its customer. It is essential that these are understood and respected by all the parties involved (and by courts in jurisdictions where disputes are likely to arise). These obligations should if possible be reinforced by a separate agreement directly between the forwarder and the seller or buyer. It is also common to print the forwarder's standard trading terms on the reverse of the FCR. JIFFA itself extensively reviewed its standard terms in 2010 to help member companies perform

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business activities with minimum risk, and these highlight the relationship between the forwarder's obligations in issuing the FCR and the carrier's obligations in carrying the goods to destination.

As with all documentation, there is a need for absolute accuracy and consistency. Further, the forwarder must be satisfied of the financial standing of the parties, and be alert to the possibility of fraud.

Papers were presented at the seminars by Hiroki Okabe, a corporate lawyer for JIFFA and Chairman of the association's Judicial Affairs Committee, and Ian Hyslop. Okabe made a technical analysis of the FCR, including many practical hints, while Hyslop put this in the international context and offered examples from reported court cases and the TT Club's own experience.

Hyslop commended JIFFA for its valuable and painstaking work on the FCR and undertook that the TT Club would share the increased understanding it had gained from this work with its Members worldwide. Okabe drew attention to the following quote from the JIFFA FCR Guide: "We wish to acknowledge our deep appreciation for the contribution of TT Club, a provider of liability insurance for international transport and logistics industry. Their expert knowledge on risks, recent accidents and legal issues associated with the FCR has been so valuable to us".

*The Guide is available at www.jiffa.or.jp/en/publication/index.html

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Note to Editors:

The TT Club is the international transport and logistics industry's leading provider of insurance and related risk management services. Established in 1968, the Club's membership comprises ship operators, ports and terminals, road, rail and airfreight operators, logistics companies and container lessors. As a mutual insurer, the Club exists to provide its policyholders with benefits, which include specialist underwriting expertise, a world-wide office network providing claims management services, and first class risk management and loss prevention advice.

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