



CUSTOMS BROKER - PROFESSIONAL LIABILITY CLAIMS REVIEW

To illustrate how valuable Avalon's Combined Transit Liability program is in managing a customs broker's business risks, we compiled the following claims. The settlement and the legal fees were the amounts paid by the insurance company.

Merchandise Cleared Incorrectly

All original documents were received by a customs broker to clear two containers entering the United States from Canada. The first container arrived at the border and was cleared by the customs broker that day. The second container arrived two days later. The broker refused to handle the shipment as the truck driver had no commercial invoice or any other documents.

In error, the customs broker attributed the whole commercial invoice to the first container and duty had been paid as if the whole shipment was in the first container. A claim was filed against the customs broker for storage, demurrage, lost profit and value of goods not sold. All legal fees are covered without deductible because the insured purchased First Dollar Defense coverage.

Claim Amount: \$60,231
Settlement: \$40,124
Legal Fees: \$3,000
Insured's Deductible: \$0

Misclassification of Goods

In classification, a customs broker entered jackets and pants as jackets only on the import form. The goods were cleared, but later Customs issued a notice for redelivery. It was discovered that the pants had to be broken out separately from the jackets for statistical purposes.

The importer had already sold the goods, so redelivery was not possible. The insurance broker suggested the customs broker appeal to Customs, who accepted the appeal for payment of 25 percent of the claim amount, which the insurance company paid minus the deductible.

Claim Amount: \$70,683
Settlement: \$17,657
Legal Fees: \$0
Insured's Deductible: \$5,000

NAFTA Preferential Treatment

While rushing to complete documents on a Friday afternoon, a customs broker incorrectly advised an importer that his shipment was entitled to NAFTA preferential treatment.

Upon arrival, CBP demanded additional duties from the importer. The importer filed a lawsuit against the customs broker for the increased amount.

Claim Amount: \$7,683
Settlement: \$7,683
Legal Fees: \$2,000
Insured's Deductible: \$5,000

Failure to File Timely

A customs broker was hired to import and clear through Customs a shipment of household goods and personal effects for a member of management of an import client. The customs broker failed to file the entry timely to clear the goods because of a turnover in staff.

Per Customs regulations, the goods were destroyed after being held for 30 days in a general order warehouse while awaiting Customs clearance. The customs broker was held liable for the full value of the goods.

Claim Amount: \$30,230
Settlement: \$30,230
Legal Fees: \$0
Insured's Deductible: \$5,000

For more information on Professional Liability Insurance for customs brokers, contact your local Avalon office or email marketing@avalonrisk.com