



UPS Capital®

Nobody thinks about cargo insurance. Until a million dollars goes up in smoke.



**CASE STUDY: Argus Group, Ltd.**

Founded in 1981, Argus is an oil and pipeline construction company doing business primarily in Russia and the former Soviet countries. They distribute pipe welding equipment, heavy equipment, anti-corrosion materials and other products used in the construction, repair and restoration of pipelines and infrastructure.

**Challenge**

Argus sources goods from all over the world, shipping every type of cargo through every possible mode (air, ocean, truck, rail, etc.). Their supply chain runs through some of the world's most complicated and high-risk countries.

**Solution**

A comprehensive cargo insurance policy through UPS Capital Insurance Agency, Inc. since 2001.

**Results**

Through the years, Argus had very few claims. Then in just one month, their policy saved them from a catastrophic million-dollar loss.

David Lax reluctantly admits it. "There was a time in 2011 when we wondered if the expense for cargo insurance was worth it," he recalls. "It crosses your mind sometimes, especially if you don't have many claims."

Lax joined Argus in 1993, and today serves as the company's vice president of operations. Back in the day, he also introduced Argus to their first cargo insurance policy. "They didn't use cargo insurance back then," he says. "They used carrier liability on a shipment-by-shipment basis, which was really difficult and expensive."

Argus began with UPS Capital in 2001, and today they have a comprehensive policy that insures their shipments, regardless of carrier or mode. "The rates were much cheaper than what the freight forwarders were charging," David remembers.

Thanks to meticulous packing and some good luck, Argus had few supply chain incidents over the years. "We might have had one claim," Lax recalls. Until the summer of 2012, that is.

## The summer of (cargo) discontent.

On June 9, 2012, a truck carrying a load of welding equipment was making its way from Finland to a jobsite in Moscow. Just outside St. Petersburg, debris from another truck struck the grill. A few minutes later, the driver noticed smoke and realized his truck was on fire.

He was able to call for help, but firefighters didn't arrive for 40 minutes. ("Yeah, things are a little different over there," Lax says.) When they finally arrived, the truck and its contents were consumed in flames. The \$809,000 shipment was a total loss.

"Of course we had to replace the goods right away for our customer," David says. "Without insurance, it would have been an unmitigated disaster."

Argus' claim was paid in full about the same time the invoice came due for the replacement parts Argus had ordered. "We weren't out-of-pocket long," David recalls. "And considering where it happened, and the process in Russia, it turned out very well."

But Argus' summer was just getting started. On July 14, the cargo ship MSC Flaminia, bound from Charleston, SC to Antwerp, and carrying two of Argus' containers full of adhesives for oil pipelines, burst into flames in the Atlantic Ocean. The ship was 1,200 miles from land.

It took 11 months to salvage the ship, tow it to port, resolve the General Average claim (which was covered by Argus' cargo policy) and deliver Argus' goods to their destination in Russia. Though the containers — valued at \$150,000 — were undamaged, their contractual shelf life had expired. And Argus had already replaced them for the customer.

Through the arduous international process of evaluating the viability of the goods, Argus' UPS Capital Business Development Officer, Matt Simmons, never gave up. "We didn't think we'd be reimbursed," David says. "But Matt had our back the whole way and never stopped fighting to get us paid."

"That's why they paid for the policy," Matt says. "If we weren't there for them, and they had been relying on Carrier Liability, neither the viability claim nor the General Average claim would have ever been covered. The story had a happy ending."

Ultimately, Argus received a claims settlement for \$150,000, plus an additional 10% to help cover the demolition of their goods. "The process took quite a while, and Argus actually renewed their policy twice during the ordeal," Matt recalls. "I'd like to think they're still with us today because they trust that we'll be there for them."

Lax said he wouldn't consider dropping their cargo insurance. "I wouldn't ship without insurance," he says. "Our responsibility to serve our customers is just too important."

After the summer of 2012, Argus could have been in a dramatically different place financially than they are today.

"I never thought I'd have a truck and a ship burst into flames," David reflects. "But sometimes it's just out of your control. Without cargo insurance, it would've been a complete loss. We'd have been out nearly a million dollars..."



Sometimes bad things happen to good cargo. Are you ready?

Cargo Insurance through UPS Capital Insurance Agency, Inc. provides worldwide multimodal (air, land, ocean) protection against loss or damage regardless of the carrier. You get:

- Coverage up to the invoice value
- Multi-carrier protection for goods in transit or in storage, around the world
- Single shipment or all-shipment coverage
- Protection against concealed damage, expediting expenses, general average losses, labels and brand issues
- Bottom line protection from lost revenue
- Coverage for unique situations like trade shows, projects or more difficult commodities to insure
- An open annual policy, so you can budget for the expense
- Higher limits per conveyance
- An experienced, dedicated broker who specializes in supply chains to help build just the right policy for your unique needs
- Most claims processed within 12 days, with nearly 99% paid

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