Increased Valuation Process Guidance


1. PURPOSE

a. To establish a methodology to affect the purchase of increased valuation from a surface or air carrier for material provided for transport to a commercial carrier doing business with the DOD. This process identifies the procedures that Transportation Officers (TO) use to ensure they purchase increased liability.

b. To purchase the increase in carrier liability coverage for shipments.

2. APPLICABILTY

The requirement is applicable to DLA depots or PLFA shippers who send freight, who must consider the purchase of the increased valuation if the value of the item exceeds 101%, minus the released valuation provided by the carrier (consider self-insurance up to 100% of the item’s value, over the normal liability for loss and damage), the purchase of increased valuation should be considered.

3. POLICY

a. To instruct Transportation Officers (TO) on the purchase of additional liability, in the form of increased valuation. Due to the growing numbers of shipments subject to loss and/or damage, or loss by modal carriers, this policy provides guidance on how to increase the valuation of freight shipments transported by commercial carriers.

b. The purchase of increased valuation must not be construed as buying additional insurance coverage. The Carmack Amendment to the Interstate Commerce Act (49 U.S.C. 11707), makes commercial carriers liable for the full actual valuation of loss or damage to goods while in transit. 49 U.S.C. 11706(c) allows carriers to limit their liability, in certain cases, by offering a choice of reasonable rates; i.e., full freight valuation for a higher freight rate or reduced carrier liability for a lower freight rate.

c. The authority to declare a shipment valuation in excess of that which produces the lowest rate due to a peculiar nature/uneusual value of a shipment is delegated to the TO.
d. Increased valuation is authorized for purchase to increase the loss and/or damage cargo liability over that maximum valuation allowed by the carrier.

e. The shipper must place the value of the items and the Increased Valuation rate per $100.00 (x/$100.00) on the bill of lading or shipping papers.

4. RESPONSIBILITIES

a. The DLA shipper is responsible to identify of items being shipped require increased liability coverage to protect US Government interests to best utilize scarce operating funds.

b. The shipper must:

1) Identify shipment for increased liability

2) Initiate request

3) Validate need

4) Annotate shipping papers/ bill of lading (BOL)

5) Notify carrier (contractor) of need for additional liability

6) Verify request for increased liability performed

5. PROCEDURES

a. Shipper identifies the shipment for increased liability.

b. Justification for purchase of increased valuation include:

1) Prototype equipment

2) One-of-a-kind equipment

3) Historical material

4) Artifacts

5) Specialized equipment or material; e.g., aircraft engines, radar trailers or weapons systems

c. Initiate request. The request for increased valuation is initiated by the military service shipper.

d. The request to increase valuation accompanies the shipment and is acknowledged by the carrier.

e. Validate need. Validate need for increased valuation above the normally provided...
f. Annotate bill of lading. Shipper annotates the BOL with a request for increased valuation.

g. Notify carrier (contractor) of the need for increased valuation. Shipper notifies carrier of the increased valuation requirement.

h. Verify that the increased liability was performed via carrier payment to the valued level if material is damaged or lost during shipment.

i. Consider increasing the valuation declared valuation on a shipment, and pay the additional valuation cost if a shipment requires additional coverage because of:

1) Sensitivity
2) Scarcity
3) Historical value
4) Unusual characteristics. Government freight shipments moved by carriers are subject to varying degrees of valuation, depending on the mode of shipment or the terms of carriage. (See the terms and conditions of the contract or voluntary tender under which the shipment is moved.)

j. TOs must be familiar with the item shipped and the valuation. With that information, the most appropriate methods of transport and whether or not full valuation should be applied may then be determined.

k. TOs cannot purchase “insurance” to cover the transportation of government material while in transit; the transportation “insurance” is included in the [basic] rate charged by the commercial carrier/contractor. The higher the liability value, the higher the transportation rate that must be paid.

l. The liability limitations on the transport of high value shipments; e.g., a cargo amount that exceeds the carriers’ normal liability for loss or damage during transport, is:

<table>
<thead>
<tr>
<th>Modal Liability Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mode</strong></td>
</tr>
<tr>
<td>Truckload</td>
</tr>
<tr>
<td>Less-than-truckload</td>
</tr>
<tr>
<td>Air</td>
</tr>
</tbody>
</table>

m. TOs should use the following logic pattern when contemplating purchase of additional cargo liability:

**Logic for Determining Purchase of Additional Cargo Liability**
<table>
<thead>
<tr>
<th>Logic Pattern</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify</td>
<td>Value of the item</td>
</tr>
<tr>
<td>Compare</td>
<td>Value of the item to the maximum liability</td>
</tr>
<tr>
<td>Determine the delta</td>
<td>Consider the US Government self-insurance protection up to 100% of item value</td>
</tr>
<tr>
<td>Consider</td>
<td>Loss/damage experience with similar item as to the number of miles being shipped, mode used and distance traveled</td>
</tr>
<tr>
<td>Decide</td>
<td>If purchase of increased valuation is warranted and amount required</td>
</tr>
</tbody>
</table>

n. Domestic movements are governed by different laws, such as the Interstate Commerce Act (49 U.S.C. 10101 et seq.), which regulates motor and rail carriers.

o. Under the terms of the Carmack Amendment, rail and motor common carriers and freight forwarders are liable for the full value of goods lost, damaged or delayed in transit, which represents the shipper’s right to file action against a motor carrier for goods damaged during shipment [in interstate commerce].

p. Liability Exceptions: There are five exceptions to liability:

   1) Acts of God
   2) Acts of the shipper
   3) Acts of a public enemy
   4) Intervention of law
   5) Inherent vice; i.e., a loss caused by the nature of the item insured, but not as a result of a casualty or external cause

q. Commercial carrier (or contractor) may offer additional liability at a rate ($) per $100.00 increase in loss and/or damaged cargo liability over the maximum liability. Should a shipper desire to declare and establish a cargo liability for an amount greater than $50,000 (the normal maximum liability), the carrier could provide increased liability coverage at a rate of $___ per $100.00 in increased liability over the maximum liability for lost and/or damaged cargo.

r. Carriers are liable for all loss, damage, undue delay, misdelivery, or other result occurring to freight in its possession, unless caused by acts of God, acts of the public enemy, act or default of the shipper, act of the public authority, or inherent nature or vice of the cargo.

6. **EFFECTIVE DATE:** January 8, 2003.

   Richard J. Connelly
   Director, DLA Support Services