



Marine Cargo Insurance



What is Marine Insurance?



- Marine Insurance is the oldest Insurance in the World
- Marine Insurance Act 1906 - sets out the Insured, the Brokers and the Insurers Responsibilities and Duties.
- But more importantly sets out the fact of Insurable Interest! Without an Insurable Interest there can be no contract of Insurance.



Marine Cargo



- Cargo can be anything – the chairs and tables around you to the Ferrari you drive to and from work.....
- It can be International or Domestic
- Container Ships/Aircraft/Trucks/Rail
- Everything you see has been Cargo at some point of its life
- Marine Cargo Products:
 - Annual Cargo Policy
 - Stockthroughput
 - Single Voyage Policies – General Goods, Motor Vehicles



ICC A, B and C – Comparison



Risks Covered and the exclusions	A	B	C
Fire or Explosion	X	X	X
Vessel or craft stranded, sunk, burnt or capsized	X	X	X
Land conveyance overturned or derailed	X	X	X
Collision or contact of vessel	X	X	X
Discharge or Cargo at Port of Distress	X	X	X
Earthquake, Lightning or Volcanic Eruption	X	X	
Malicious Damage	X		
Theft	X		
General Average Sacrifice	X	X	X
Jettison	X	X	X
Washing Overboard	X	X	
Entry of Sea/River or Lake water into vessel, craft, conveyance, container or place of storage	X	X	
Total loss of any package lost overboard or dropped whilst loading onto, or unloading from vessel or craft	X		
Piracy	X		

Marine Cargo - Exclusions



- 4.1 Wilful Misconduct
- 4.2 Ordinary leakage or ordinary loss of weight /volume: e.g. moisture in grain and ordinary wear and tear
- 4.3 Unsuitability of Packing – unless packed by an outside contractor or prior to the attachment of the insurance
- 4.4 Inherent Vice – i.e. goods that naturally decay etc.
- 4.5 Delay – even if the delay is caused by an insured peril
- 4.6 Insolvency/financial default of the owners/managers/charterers or operators of the vessel when at the time of loading the insured is aware that this could affect the voyage. However this wont apply when the contract of insurance has been assigned to the party claiming under a binding contract i.e. Importing under CIF terms!
- 4.7 B and C Clauses only – Deliberate Damage/Destruction of the goods by ANY person
- 4.8 Use of Atomic/Nuclear Fission device

Marine Cargo - Exclusions



- 5 Unseaworthiness of vessel where the insured are aware and unfitness of container again where the insured is aware but just like the 4.3 if carried out before the insurance takes place or loading of container executed by a third party there is cover
- 6 WAR
- 6.1 War, Civil War, Revolution, Rebellion, hostile act by a belligerent power
- 6.2 Capture, seizure, restraint, detainment
- 6.3 derelict mines, torpedoes etc
- (This cover is written back into Marine policies with the Institute War Clauses (Cargo) and Institute War Clauses (Air Cargo) and is usually industry standard to give the cover outside the London Market (i.e. Lloyds).)
- 7 Strikes, Riots, Civil Commotion and Terrorism
- (Again with Exclusion 6 it is now common practice to write the above back in under the Institute Strikes Clauses (Cargo) and Institute Strikes Clauses (Air Cargo) but the Lloyds market may differ.)

Where does cover start and end?



- Where does it start?
- When the goods are first moved in the Warehouse or place of storage (named in the contract of insurance) for the purpose of immediate loading on to the conveyance
- And End's whichever of the following shall occur first:
 - 8.1.1 completion of unloading at final warehouse or place of storage named in the contract of insurance
 - 8.1.2 completion of unloading at any other warehouse or place of storage whether prior to or at the destination which the assured elect to use for storage outside the ordinary course of transit
 - 8.1.3 When the assured elect to use any carrying vehicle or other conveyance or any container for storage other than the ordinary course of transit
 - 8.1.4 On the expiry of 60 days after completion of discharge over side from the oversea vessel at the final port of discharge
- BUT CAN ALSO DEPEND ON THE INCOTERM USED...

- INCOTERMS set out to establish the responsibilities and obligations of both the buyer and the seller when they become involved in an international commercial transaction.
- The purpose of **International Commercial Terms** is to provide a set of common international rules for the interpretation of the most commonly used trade terms in international trade
- Helps avoid differing interpretations and problems with language barriers
- They are not compulsory
- 4 out of the 11 Incoterms are specifically designed for Marine Transits



Incoterms



Incoterm 2010	Export-Customs declaration	Carriage to port of export	Unloading of truck in port of export	Loading charges in port of export	Carriage (Sea Freight/Air Freight) to port of import	Unloading charges in port of import	Loading on truck in port of import	Carriage to place of destination	Insurance	Import customs clearance	Import taxes
EXW	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer		Buyer	Buyer
FCA	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer		Buyer	Buyer
FAS	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer		Buyer	Buyer
FOB	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer		Buyer	Buyer
CFR	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer		Buyer	Buyer
CIF	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Buyer	Buyer
CPT	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller		Buyer	Buyer
CIP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer
DAT	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller		Buyer	Buyer
DAP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller		Buyer	Buyer
DDP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller		Seller	Seller

Allocations of costs of buyer and seller according to Incoterms 2010

Most common Incoterms used



Ex-Works (EXW) – Good for a company new to exporting

The seller 'delivers' the goods at the disposal of the buyer, at the seller's premises (or other named place of delivery) with the goods not cleared for export

Free on Board (FOB)

The Seller is responsible for delivering the goods to the named port, export customs clearance and load them onto the vessel

Cost Insurance Freight (CIF)

The Seller is responsible for delivering the goods to the named port, export customs clearance, load them onto the vessel, the freight charges, unloading charges and the insurance costs until port

Why Insure Cargo?

Overcoming obstacles



“I can claim off the Carrier”

A carriers liability:-

May only provide limited protection as liability is restricted to a monetary amount per kilo or tonne by statute

e.g. RHA conditions £1300 per tonne

e.g. BIFA conditions £2,000 per tonne

Relies on the carrier having his own insurance and that he does not breach any conditions, otherwise it could involve a long drawn out court case

Relies on the Carrier being legally liable for the loss or damage

Has gaps in cover, such as general Average Cover which leaves potential for a massive loss

Why Insure Cargo?

Overcoming obstacles



What is General Average

- Imagine a situation at sea like a fire or severe storm or any other life threatening situation.. Under such circumstances, the master of the ship (as a last resort) might be forced to jettison (throw overboard) some or all cargoes that are on the ship in order to save part or whole of the ship..
- When such situation occurs, the ship declares a legal principle of Maritime Law termed “General average”.. Under this principle, all parties who are involved in that voyage, shall be asked to proportionally share the losses resulting from such sacrifice.. All parties including all merchants whose cargo landed safely would also be called to contribute a portion, based upon a share or percentage, to the merchant or merchants whose goods had been jettisoned in order to avert danger to the whole ship/crew





Why Insure Cargo?

Overcoming obstacles



“I SELL EX-WORKS”

- Buyer has to insure – Increases his purchase cost
- Buyer may not insure, creating relationship problems in the event of a loss
- Seller should at least have Sellers Interest cover

Why Insure Cargo?

Overcoming obstacles



Think

By taking out marine cargo insurance, you will:-

- Save your reputation with your customer should anything happen to the goods
- Control your own insurance costs
- Not have to rely on someone else remembering to arrange insurance
- Be able to deal with an Insurance company who speaks your language
- Have claims paid up front and have leave us to chase recovery
- Have cover for all eventualities
- Have peace of mind should there be a loss

Why Insure Cargo? Overcoming obstacles



FINAL THOUGHT

- Is your client wise to rely on their supplier, customer or carrier to arrange insurance on which their livelihood could depend?