

# CII Marine Cargo – a beginners guide

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Regional Marine Underwriting Manager



# CNA Hardy - Company **overview**



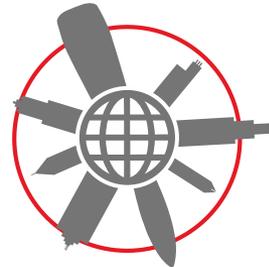
**120 years**  
track record



**7000+**  
Colleagues worldwide



**Strong**  
Financial Rating



**75 offices**  
across the globe



GWP  
**\$10bn worldwide**



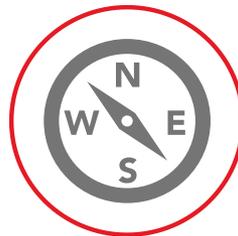
**Claims, Risk Control**  
and **Underwriting**



**40 years**  
at Lloyd's



**500+**  
colleagues



Capabilities in over  
**200 territories**



**17**  
Offices



GWP  
**\$1bn International**



**Claims, Risk Control**  
and **Underwriting**

# Our product **portfolio**



Property



Casualty



Marine



Specialty

## Our Industry Specialisms:



Construction



Energy



Financial Institutions



Healthcare



Manufacturing



Professional Services



Technology & Cyber



Transport & Logistics

# Summary

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- Basics of Marine Insurance
  - Institute Clauses
  - Sanctions and Excluded Territories
  - Incoterms
- Selling Marine Insurance
  - Why Insure
  - Overcoming client objections
  - Types of policy
- Hauliers / Carriers liability
  - Conditions of Carriage
  - Limits of Liability / Time Limitations
  - Defences to Liability
- Stock Throughput
  - Who is it suitable for
  - Basis of Valuation
  - What to look out for



**Institute Cargo Clauses**

# Institute Cargo Clauses

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- Three main sets of Institute Cargo Clauses:
  - Institute Cargo Clauses (A)
  - Institute Cargo Clauses (B)
  - Institute Cargo Clauses (C)
  - Other Institute Clauses

# Institute Cargo Clauses (A)

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- “All Risks” of physical loss or damage
  - Unless excluded
- General Average and Salvage Charges
- Both to blame collision

# Institute Cargo Clauses (B)

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- Fire or Explosion
- Stranding, Sinking
- Capsizing Overturning Vehicle/Vessel
- Collision
- Discharge at Port of Distress
- Total Loss of Vessel
- Jettison
- Washing Overboard
- Sea Lake River Water
- Total Loss Package During Loading/Unloading
- General Average and Salvage Charges
- Both to blame collision

# Institute Cargo Clauses (C)

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- Fire or Explosion
- Stranding
- Sinking
- Capsizing
- Overturning Vehicle/Vessel
- Collision
- Discharge at Port of Distress
- Total Loss of Vessel
- Jettison
- General Average and Salvage Charges
- Both to blame collision

# Other Institute Clauses

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- Institute Frozen Food Clause
  - All risk except for temperature variation
  - Temperature variation following specified perils
- Institute Commodity Clauses
- Institute Bulk Oil
- Institute Coal Clauses
- Institute Classification Clause

# Institute Cargo Clauses – Common Features

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- Duration:
  - Cover attached from the time the goods first move in the warehouse for the purpose of the immediate loading onto the vehicle for the commencement of transit
  - Continues during ordinary course of transit
  - Ceases either
    - On unloading at the Consignee's warehouse
    - On unloading at any other warehouse to be used for storage or distribution
    - Where the Assured elect to use any vehicle / container for storage other than in the normal course of transit
    - On the expiry of 60 days after discharge from the vessel
  - WHICHEVER SHALL FIRST OCCUR

# Institute Cargo Clauses – Common Features

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- Exclusions:
  - Wilful misconduct of the Assured
  - Ordinary leakage, loss in weight, wear and tear
  - Insufficiency or Unsuitability of Packing when carried out by the Assured or prior to the attachment of risk
  - Inherent Vice
  - Delay (even if delay caused by insured peril)
  - Insolvency of Shipowner (if the Assured is aware or should be aware)
  - Atomic or Nuclear Weapon
  - Malicious Damage (“B” & “C” Clauses only)
  - Unseaworthiness of Vessel or unfitness of container or conveyance (only if the Assured are aware at the time of loading)
  - War & Strikes - Cover for these is “bought back”

# Institute Cargo Clauses – War and Strikes

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- Cover is “bought back” in the war and strikes clauses
- Rates for cover can be ‘in addition’ or inclusive
- Global Cargo Watch List
- Strikes Clauses:
  - strikes, riots, civil commotions, locked out workers and terrorism
  - BUT not delay
  - War Clauses:
    - Provides cover for war risk
    - BUT only whilst on water
      - Includes derelict mines and torpedoes

# Sanctions

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## **Sanctions Exclusion**

This Policy shall not apply to any trade or activity which is subject to any applicable trade or economic sanction, prohibition, restriction or United Nations resolution. No (re)insurer shall be deemed to provide cover and no (re)insurer shall be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose that (re)insurer to any applicable trade or economic sanction, prohibition or restriction or United Nations resolution.

# Excluded Territories

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## Excluded Territories

\*The following territories are excluded unless specially declared and accepted by Insurers in writing prior to shipment:

Afghanistan, Angola, Cuba, Eritrea, Ethiopia, Iran, Iraq, Kyrgyzstan, Liberia, Myanmar, Nigeria, North Korea, Rwanda, Sierra Leone, Somalia, Sudan, Syria, Tajikistan, Turkmenistan, Uzbekistan, and Zimbabwe and any other country where their local legislation decrees insurance must be effected locally.



# Inco Terms

# Incoterms

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- The most commonly used terms:
- CIF – Cost, Insurance and Freight
- FOB – Free on Board
- EXW – ex Works

# Incoterms

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- Other commonly used terms:
  - D Terms
  - DAT
  - DDP
  - DAP
  - C Terms
  - CIP
  - CFR
  - CPT

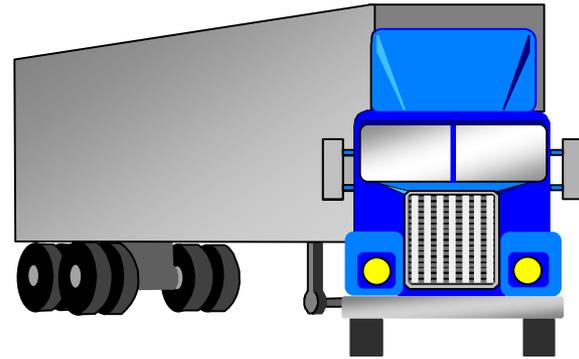
# Incoterms

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- Agreeing the incoterm
- Freight
- Duty / customs clearance
- Potential pit-falls
- Remember incoterms are a framework

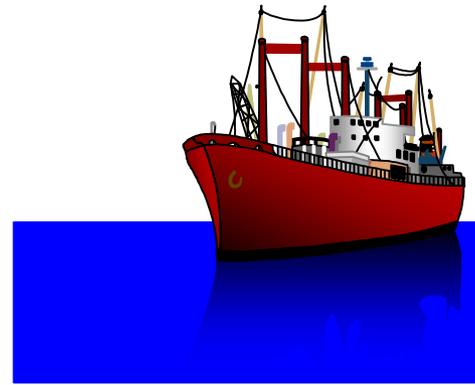
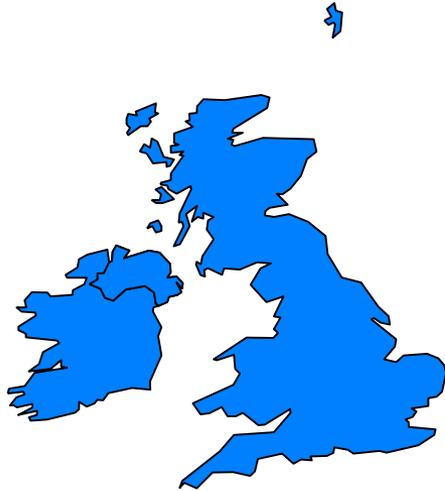
# At Whose Risk – Ex-Works (EXW)

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# Free on Board (FOB)

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# Cost Insurance and Freight (CIF)





**Selling Marine Cargo**

# Who needs Marine Cargo Insurance

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- In short, anyone who imports, exports, moves or sells goods within the United Kingdom.
- Exporters selling on a CIF, DDU or similar basis
- Importers receiving goods on EXW, FOB or similar
- Contingency cover for EXW Exports or CIF Imports

# Why Insure?

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- Terms of sale make the client responsible
- Carriers may not be liable for full extent of loss – compensation can be restricted
- Carriers have defences against liability
- Claims against carriers may become time barred
- Problems dealing with claims abroad
- Dealing with overseas agents/insurers

# Why Insure?

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- ***General Average***
- Piracy
- Recent other high profile losses – MSC Napoli, Riverdance, MOL Comfort
- Keeping control of insurance arrangements
  - Price, cover, overseas insurers

# Types of policy

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- *One-off's*
- *Minimum & Deposit (M&D)*
- *Deposit (with minimum retention?)*
- *Open Cover*
- *In full non-adjustable*

# Additional Covers

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- *Exhibitions*
- *Reps / Sales Samples*
- *Engineers tools*
- *Demonstration / Test equipment*

# Overcoming client objections

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- “I only buy CIF”
  - lack of control, problems with overseas insurers, cost of insurance, different levels of cover?
- “I sell Ex Works”
  - lack of control, problems if buyers fail to take title of the goods.
- “I rely on the hauliers cover”
  - Restricted cover and defences to liability
- “I insure through my freight forwarder”
  - Paying a premium, paying for other clients losses, cover not as wide



## Hauliers / Carriers Liability

# Carriers Liability

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- Cover is for the carrier or forwarders *liability for cargo*
- Liability usually limited by weight of the goods
- RHA, FTA, CMR, BIFA, Hague Visby, UKWA
- Uplifted conditions
- 'Full Responsibility' / 'All Risks'
  - Negligence? Problems with CMR?

# Limits to Liability and Time Limitations

Conditions	Most appropriate for use by	Limit per tonne	Maximum liability	Time limitations	Extensions to limits of liability
RHA 2009	Road hauliers	GBP 1,300 per tonne	Value of consignment	Claims to be notified in writing within 7 days of termination of transit. 1 year limitation for suit from date transit commenced	Consequential loss: maximum liability is the amount of the carriage charges
FTA 2002	Road hauliers	GBP 1,300 per tonne or GBP 500 for the total consignment whichever is greater	Value of consignment	Delay: written claim in writing within 3 days Partial loss: written claim in writing within 7 days Loss of entire consignment/ parcel/package: written claim in writing within 14 days	Consequential loss: maximum liability is the amount of the carriage charges
CMR	Is an international convention – international road hauliers	8.33 SDR's per kilo – approx GBP 8,475 per tonne	Value of goods	7 days for hidden loss or damage 21 days for delay otherwise 1 year, unless a fully quantified claim is submitted	Delay: maximum liability is the amount of the carriage charges
BIFA 2005	Freight forwarders	2 SDR's per kilo – approx GBP 2,035 per tonne	Value of goods	14 days from the date the customer should first have been aware of the event 9 month limitation for suit	Delay: maximum liability is twice the amount of the freight charges
UKWA 2006	Warehousekeepers	GBP 100 per tonne	Value of goods	21 days from the date the customer first becomes aware of the loss/damage (but 7 days in the case of sub-contract carriage) 9 month limitation for suit	
Warsaw Convention/ Montreal Convention	Is an international convention applying to movements by air	17 SDR's per kilo GBP 17,300 per tonne	Value of goods	14 days for loss/damage 21 days for delay 2 year limitation for suit	
Hague-Visby	Is an international convention applying to movements by sea	2 SDR's per kilo or 666.67 SDR's per package, whichever shall be the greater	Value of goods	1 year from date of discharge from overseas vessel 1 year from expected delivery date in the case of non-delivery	
RHA Conditions of Storage 1988	Warehousekeepers	GBP 100 per tonne	Value of goods	7 days from delivery of goods or date goods should have been delivered	Consequential loss: maximum liability is the amount of the storage charges

# Defences to Liability

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- **RHA** – limited defences
- Act of God, terrorism, insufficient packing, inherent vice
- **CMR**
- Article 17.2 – “Circumstances which the carrier could not avoid and the consequences of which he was unable to prevent”
- Article 36 - “Proceedings can only be brought against the first, last or performing carrier”
- **BIFA**
- Agent or principle
- 25b “ any cause or event which the Company is unable to avoid and the consequences whereof the Company is unable to avoid by the exercise of due diligence”
  
- Remember – the onus is on the claimant to prove their loss



**Stock Throughput**

# When is STP suitable?

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- Importers
- Exporters
- Distributors
- Manufacturers
- Clothing importers and Retailers
- Technology imports and distributors

# Stock basis of valuation

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- Imports – CIF + 10%
- UK Sales – Sales Invoice Value
- Exports – CIF + 10% (C = sales invoice)
  
- So what for Stock?
  - Replacement
  - Sales Invoice if sold
  - CIF + ?%

# Things to look out for

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- Manufacturing – process clause
- Correct Basis of Valuation
- Business Interruption
- Terrorism
- Inter-company movements
- Goods stored in the open
- Trailers left loaded overnight
- Flood Exposure
- Stillage Warranty

# Additional covers

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- Terrorism – UK, EU and USA
- Retail premises
- Unspecified premises
- Overseas stock locations
- Global policies

# Benefits of Stock Throughput

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- Cover is 'All Risks'
- Cover is 'cradle to grave' or 'door to door'
- Competitive premiums
- Increases capacity for non-marine
- One place for cover – dovetailing of risks – no gaps in cover
- Flexible basis of valuation and possible to insure on 'sales value' for pre-sold goods

# Why **CNA** / **HARDY**

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- Leading the way in marine insurance for over 150 years
  - company no. 950
- Direct access to underwriters and decision makers
- In-house claims department and ‘Express Handling Team’
- Market leading claims service
  - Grace Church Survey
- Large capacity
- Flexible Underwriting
- Global Reach
- *RapidCargo*
- Bespoke product for International Freight Forwarders, Contract Logistics, 3PL, 4PL and Specialist and Multinational Road Haulage Companies

# CNA / HARDY

When it comes to business insurance...  
We can show you more®.