

Marine Cargo Insurance – an introduction

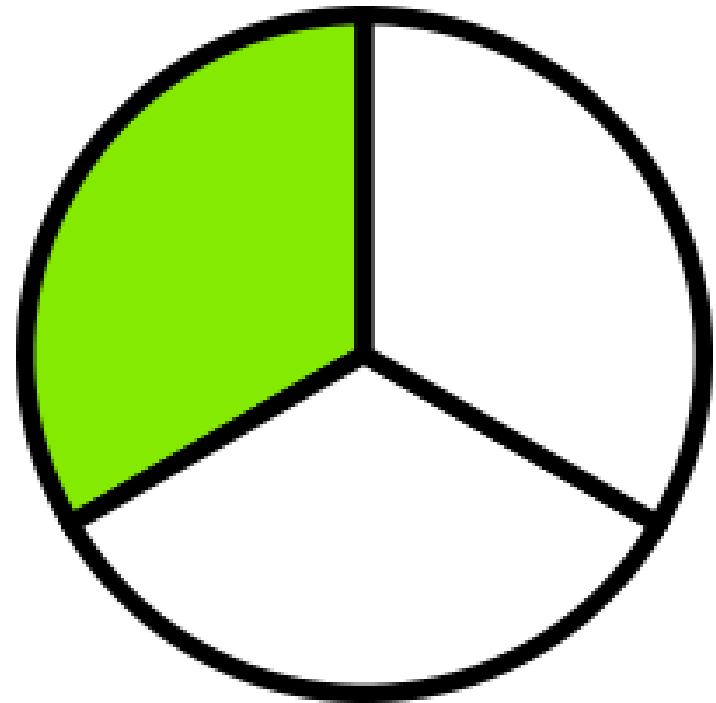
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Welcome



Today's objectives

- Discuss the need for marine cargo insurance
- Explain the importance of Incoterms ® - internationally recognised terms of trade for the sale of goods
- Compare and contrast the cover under various Institute Cargo Clauses (ICC)



What is (marine) cargo insurance ?

Insurance that protects goods being transported from point A to point B



Who needs/should consider cargo insurance ?



Case study

- Import leather from Spain
- Rubber soles from Far East
- Shoe laces from USA
- Made in UK
- Exported around the world



Example courtesy of Aviva Development Zone

UK Manufacturing

- Annual output - £183 billion
- 9th largest manufacturing nation
- Rank 10th for export of goods
- Rank 5th for import of goods
- 51% - UK's total exports is goods



- Source2022 [MakeUK.org/facts](https://www.makeuk.org/facts)



Who needs cargo insurance ?

- Manufacturers
- Wholesale
- Retail
- Anyone who imports, exports, moves or sells goods
- Exporters selling on CIF or CIP basis
- Importers receiving goods on EXW or FOB basis



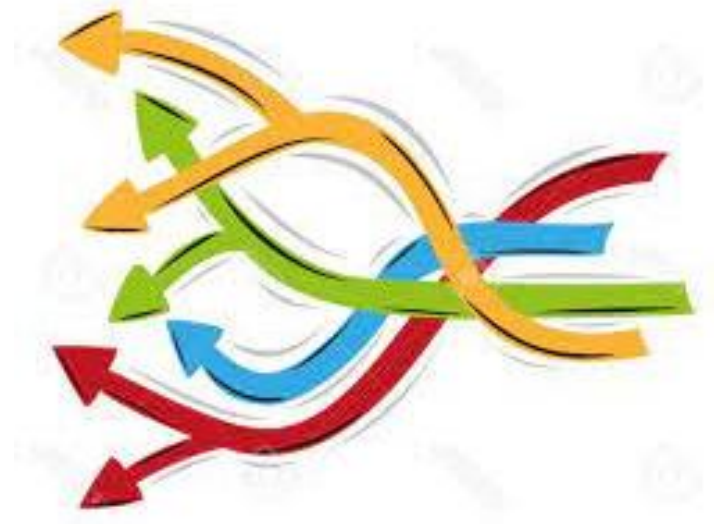
Ways to insure goods being sent to customers ?

Suggestions
Please



Ways to insure goods being sent to customers ?

- Provided by delivery company
 - Haulier
 - Courier
 - Post Office
 - Freight Forwarder
 - Shipping company
- Goods in transit policy
- Stock Throughput policy
- Marine cargo policy



Using carrier's insurance – some disadvantages

- Usually their terms of carriage limit liability
- RHA - £1,300 per tonne
- FTA - £1,300 per tonne
- BIFA – 2 SDRs per Kg
- UKWA - £100 per tonne
- CMR – 8.33 SDRs per Kg

- Defences may be available
- No choice of insurer
- No control on service levels



Goods in Transit – possible disadvantages

- Territorial limits often restricted
- Lower limits
- Onerous conditions
 - Security



Marine Cargo Insurance - advantages

- Can be tailored to client's specific requirements
- Greater flexibility
 - Limits
 - Goods to be insured
- Wider cover
 - General Average
 - Piracy
 - War / Strikes
- Control on placement
 - Insurer choice



International Trade

Can be complex – local customs, taxes, paperwork, responsibilities, obligations



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Incoterms[®]

- International Commercial Terms
- 11 Internationally recognised rules which define responsibility & liabilities of buyers and sellers
- Reduce the risk of potentially costly misunderstandings
- Published by The International Chamber of Commerce
- Latest edition - 2020



The seven Incoterms rules for any mode of transport

EXW: Ex Works

FCA: Free Carrier

CPT: Carriage Paid to

CIP: Carriage and Insurance Paid to

DAP: Delivered at Place

DPU: Delivered at Place Unloaded

DDP: Delivered Duty Paid



The 4 Incoterms Rules for Sea and Inland Waterway Transport

FAS: Free Alongside Ship

FOB: Free on Board

CFR: Cost and Freight

CIF: Cost, Insurance, and Freight



Link to more info (Government website)

<https://shorturl.at/sEKLW>



Incoterms 2020

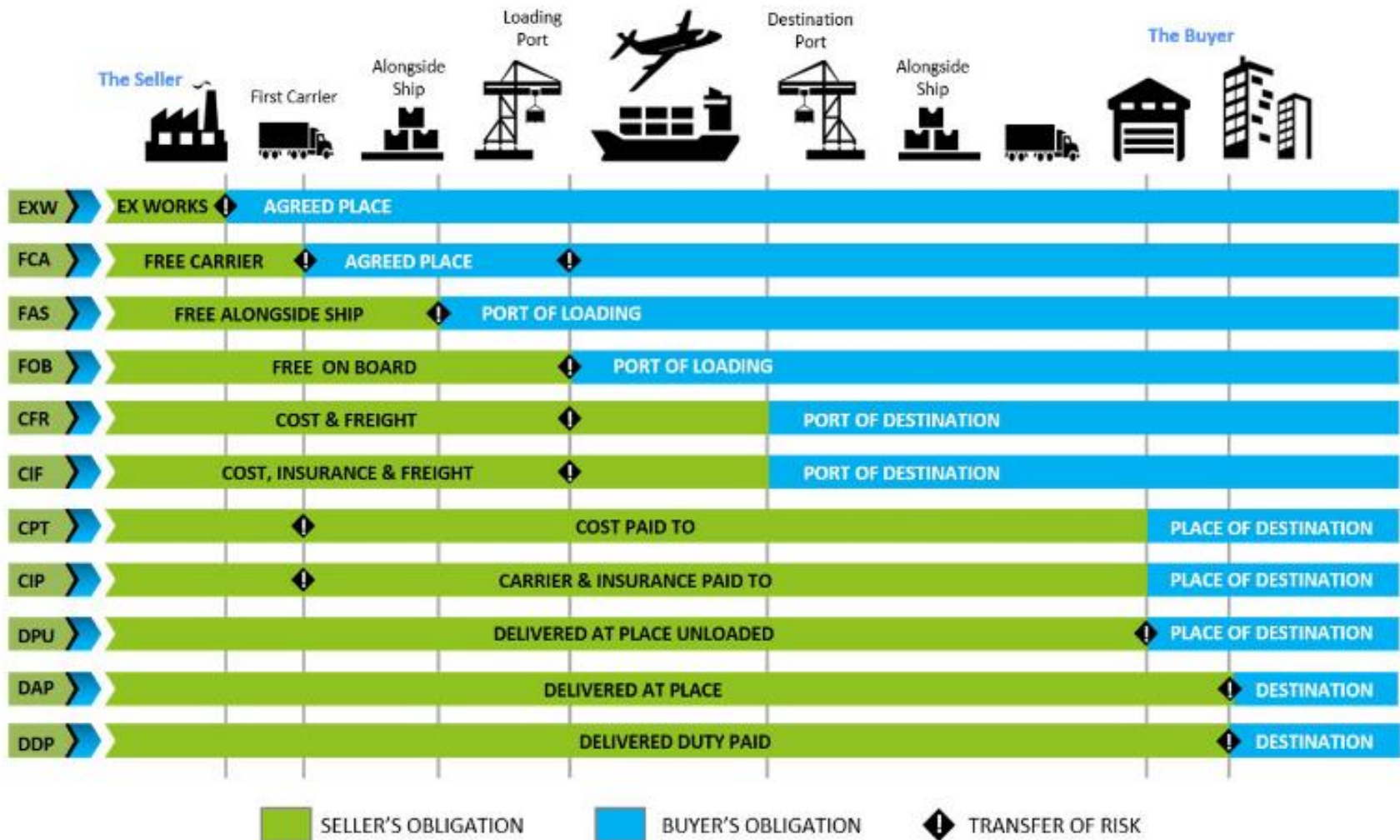
Information in notes is taken from 'IncotermsExplained.com' and is not intended to be advice or to be relied upon



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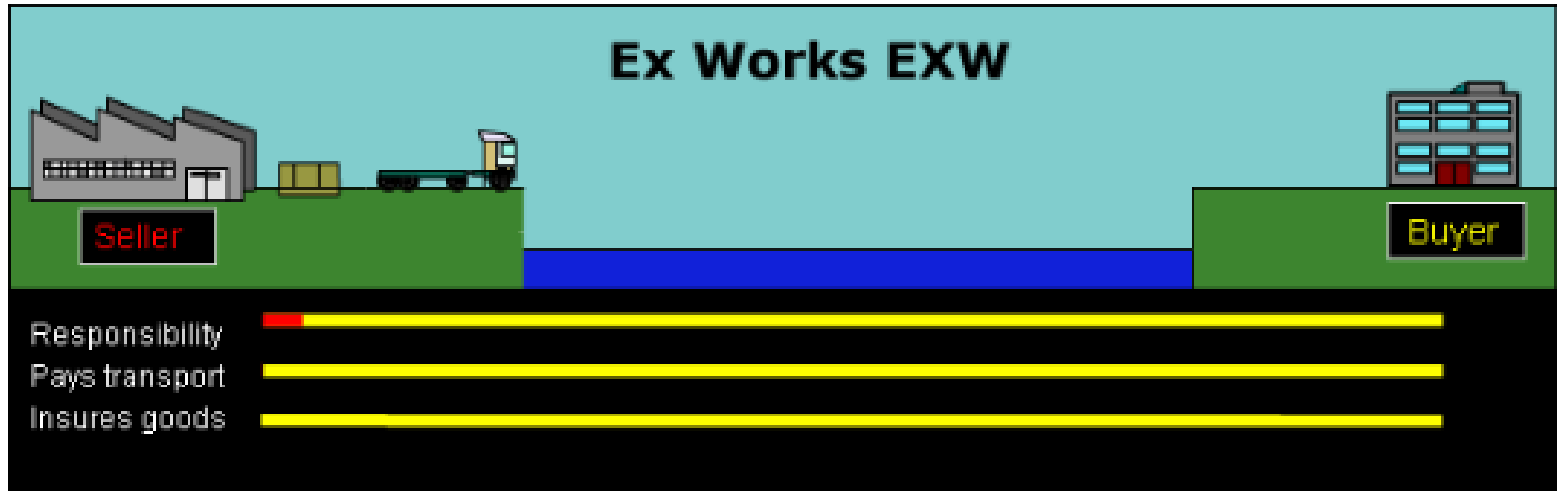
INCOTERMS 2020

Point of Delivery and Transfer of Risk



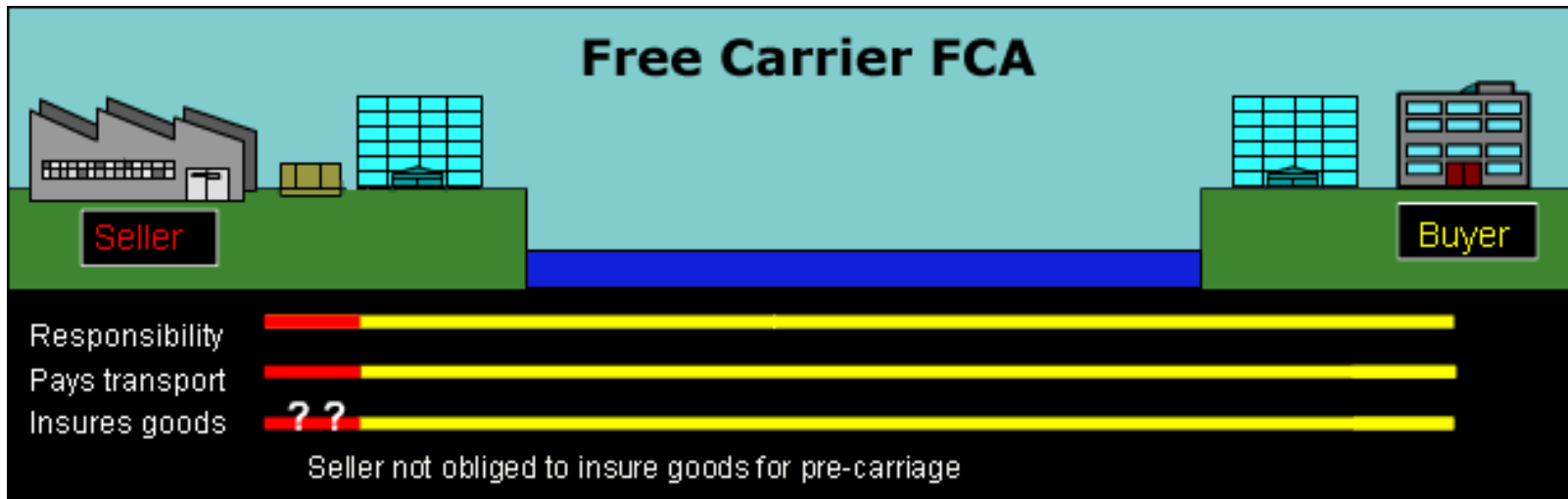
Ex Works (EXW)

The seller has to make the goods available, suitably packaged, at a specified place, usually the seller's factory or depot



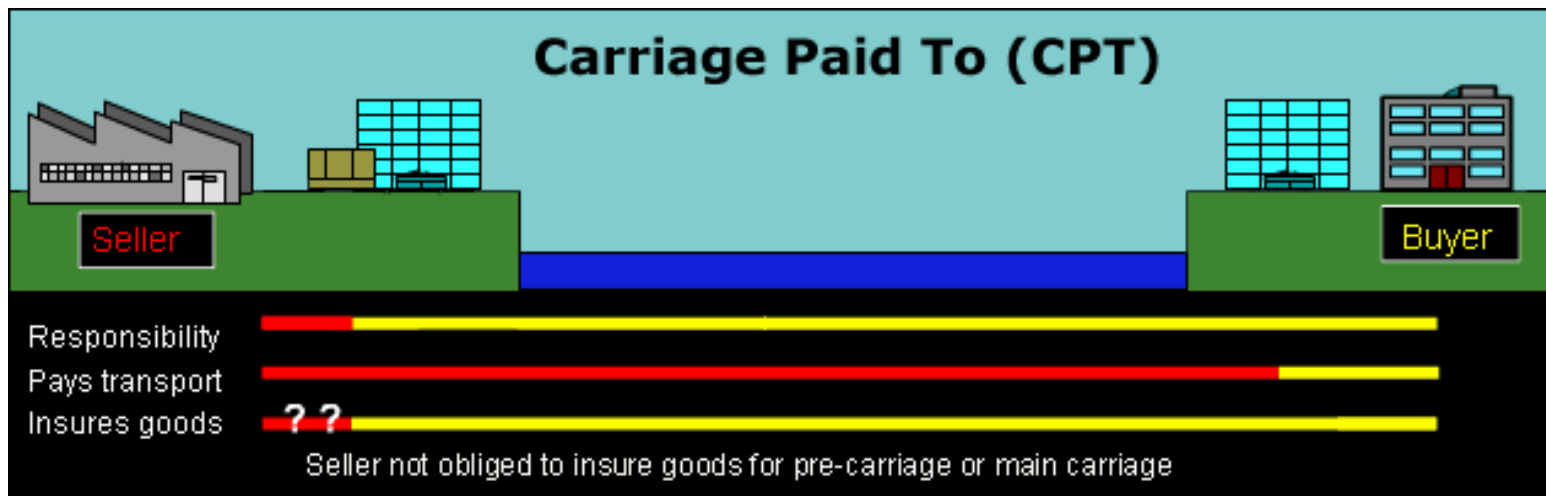
Free Carrier (FCA)

A flexible rule that is suitable for all situations where the buyer arranges the main carriage – often container traffic



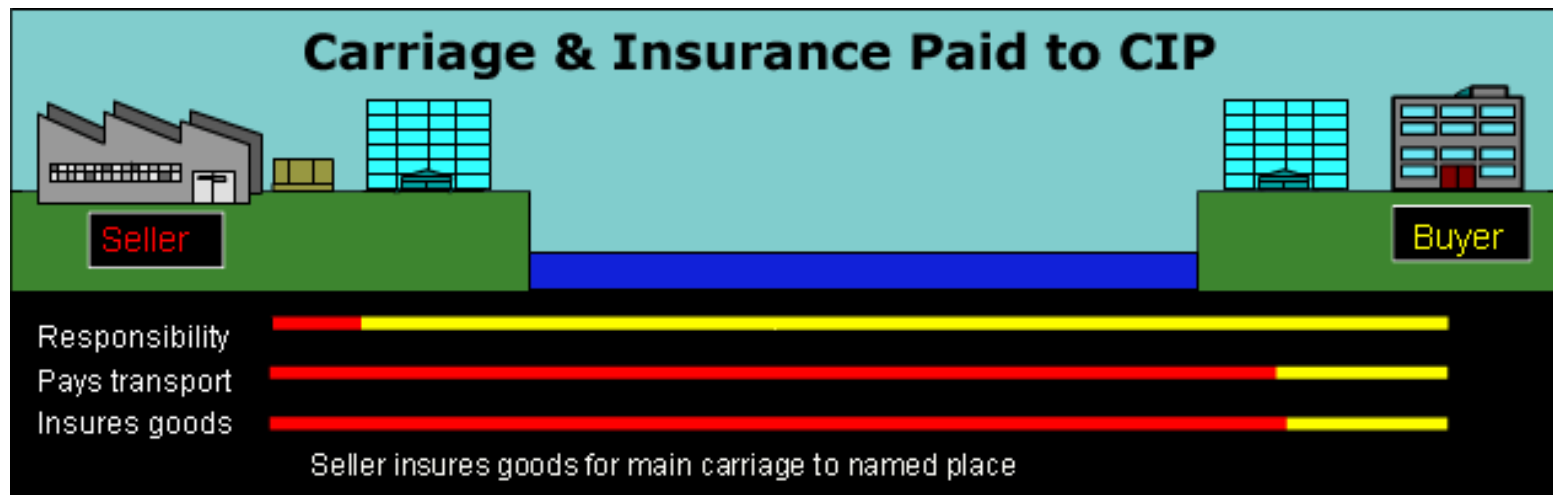
Carriage Paid To (CPT)

The seller is responsible for arranging carriage to the named place, but not for insuring the goods to the named place. However delivery of the goods takes place, and risk transfers from seller to buyer, at the point where the goods are taken in charge by a carrier



Carriage and Insurance Paid To (CIP)

The seller is responsible for arranging carriage to the named place, and also for insuring the goods



Delivered at Place Unloaded (DPU)

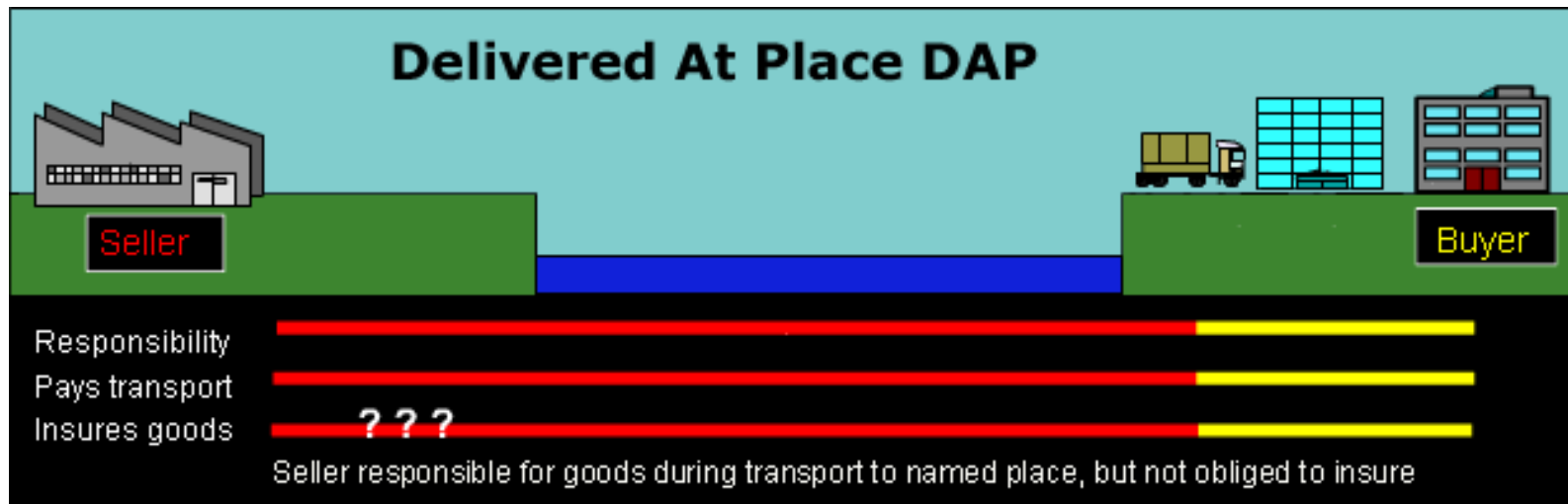
The seller is responsible for arranging carriage and for delivering the goods, unloaded from the arriving means of transport, at the named place

Previously known as Delivered at Terminal (DAT) – 2010 Incoterm



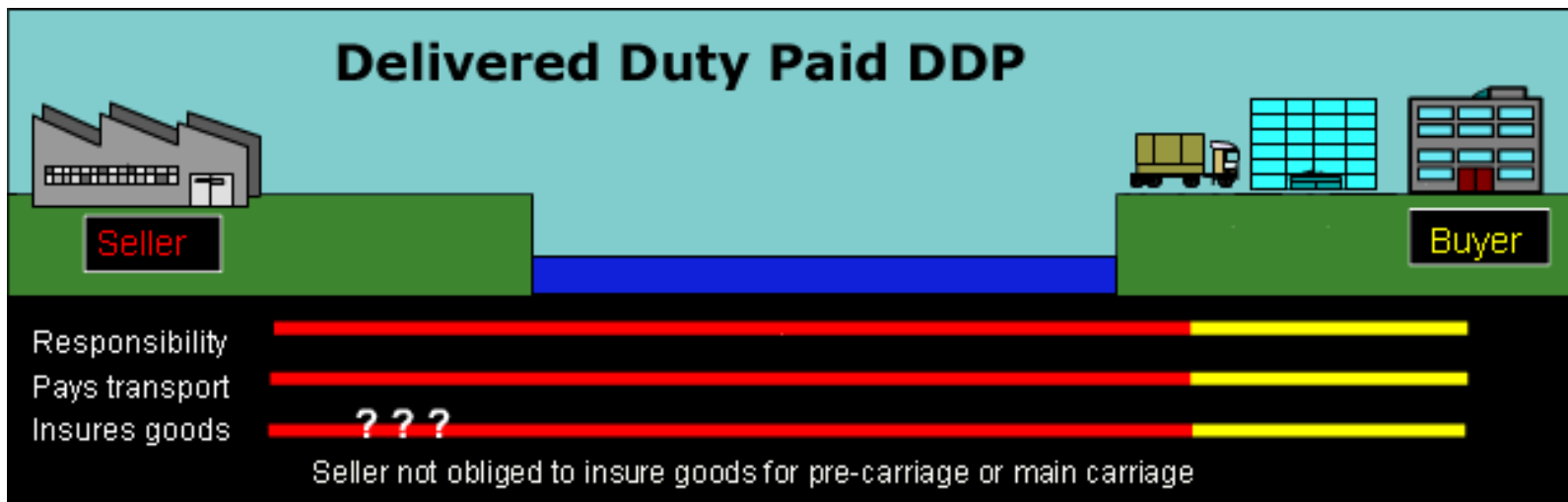
Delivered at Place (DAP)

The seller is responsible for arranging carriage and for delivering the goods, ready for unloading from the arriving means of transport, at the named place. (An important difference from Delivered at Place Unloaded DPU.)



Delivered Duty Paid (DDP)

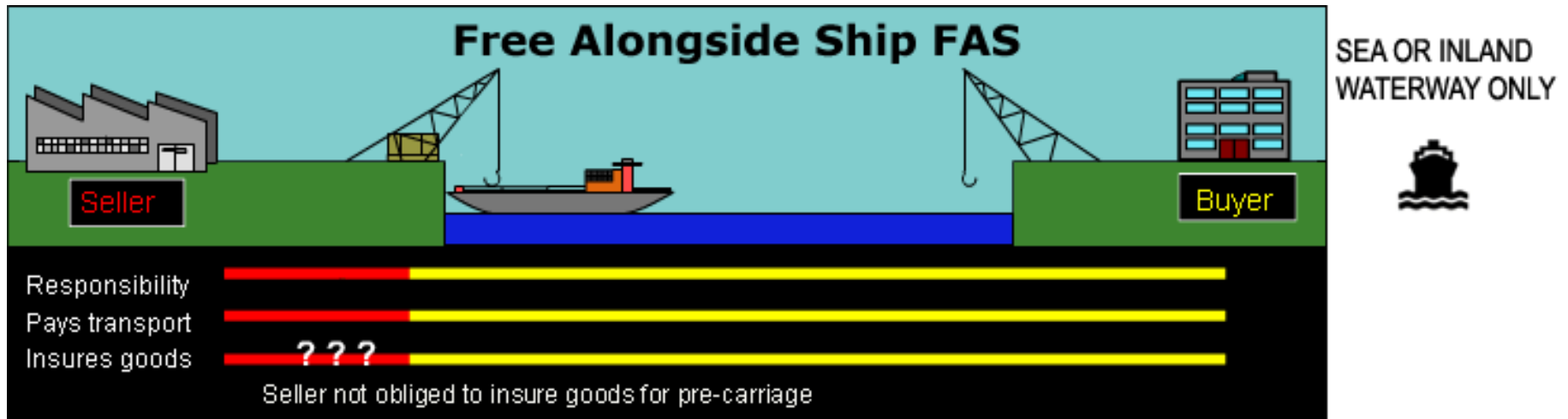
The seller is responsible for arranging carriage and delivering the goods at the named place, cleared for import and all applicable taxes and duties paid (e.g. VAT, GST – General Sales Tax)



Free Alongside Ship (FAS)

Seller delivers goods, cleared for export, alongside the vessel at a named port, at which point risk transfers to the buyer.

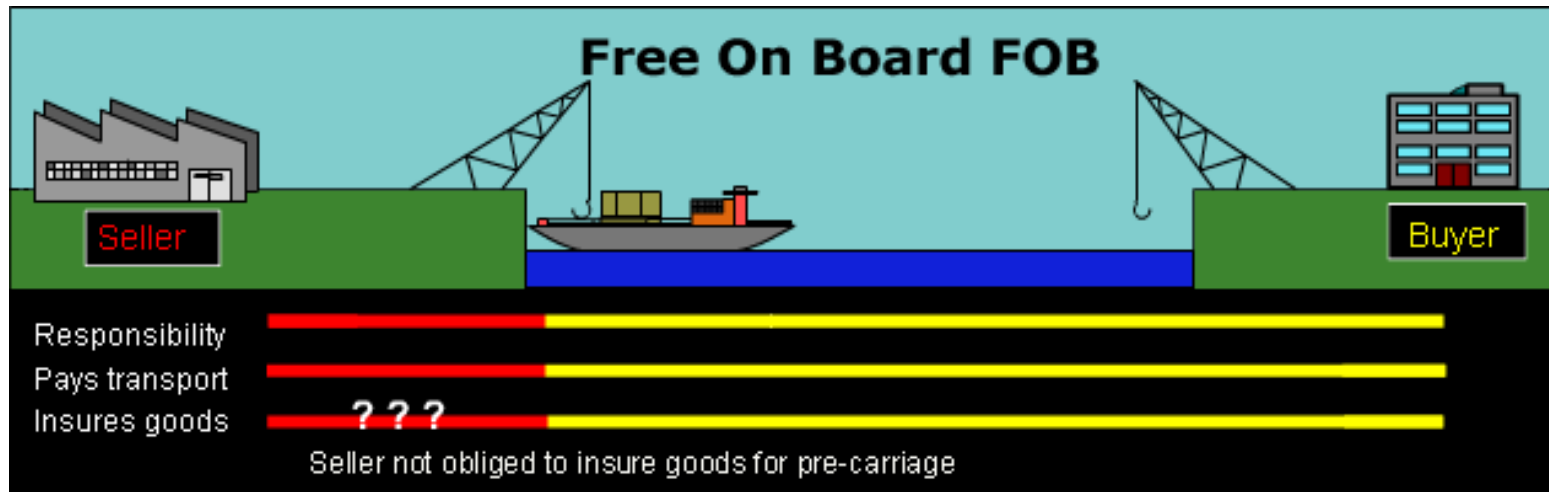
The buyer is responsible for loading the goods and all costs thereafter



Free On Board (FOB)

Seller delivers goods, cleared for export, loaded on board the vessel at the named port.

Once the goods have been loaded on board, risk transfers to the buyer, who bears all costs thereafter.



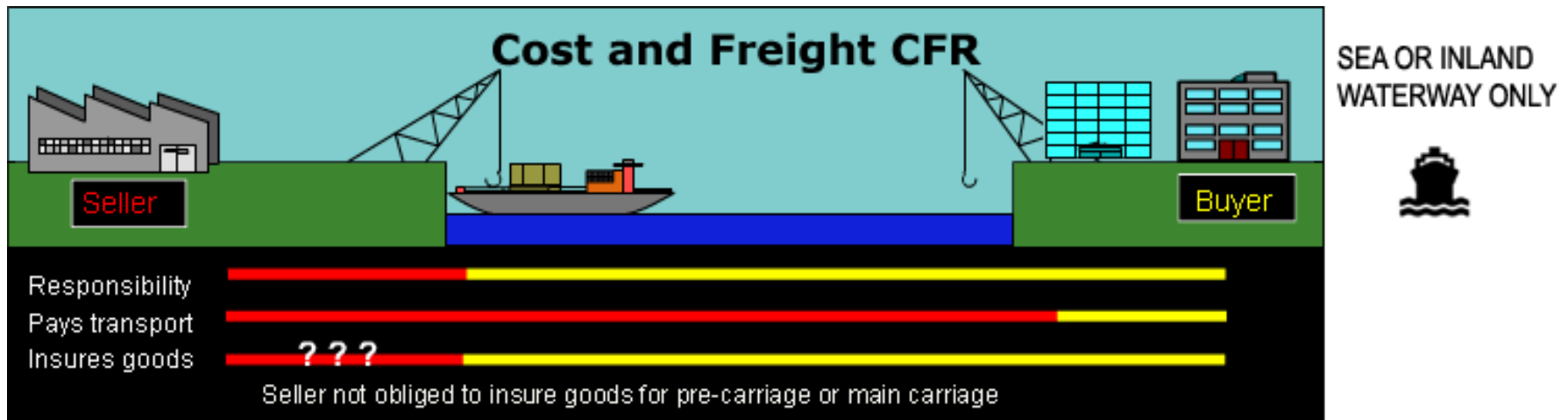
SEA OR INLAND WATERWAY ONLY



Cost and Freight (CFR)

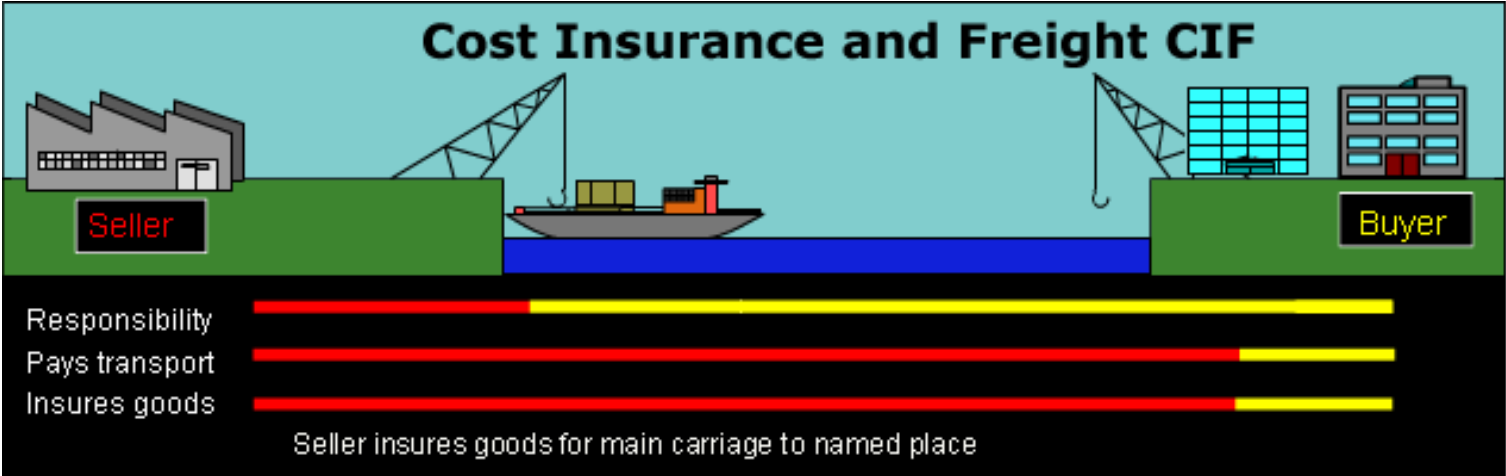
Seller arranges and pays for transport to named port. Seller delivers goods, cleared for export, loaded on board the vessel.

However risk transfers from seller to buyer once the goods have been loaded on board, i.e. before the main carriage takes place.



Cost Insurance and Freight (CIF)

Seller also arranges and pays for insurance for the goods for carriage to the named port



SEA OR INLAND WATERWAY ONLY



Only two Incoterms rules (CIF, CIP) refer to insurance, which is to be arranged and paid for by the seller

The level of cover mandated by the CIF rule is minimal – Institute Cargo Clauses (C)

For the CIP rule, there is a higher level of cover – Institute Cargo Clauses (A)



Risks to goods being moved ?



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“We need to lighten the boat.
You’re a good team member, aren’t you?”

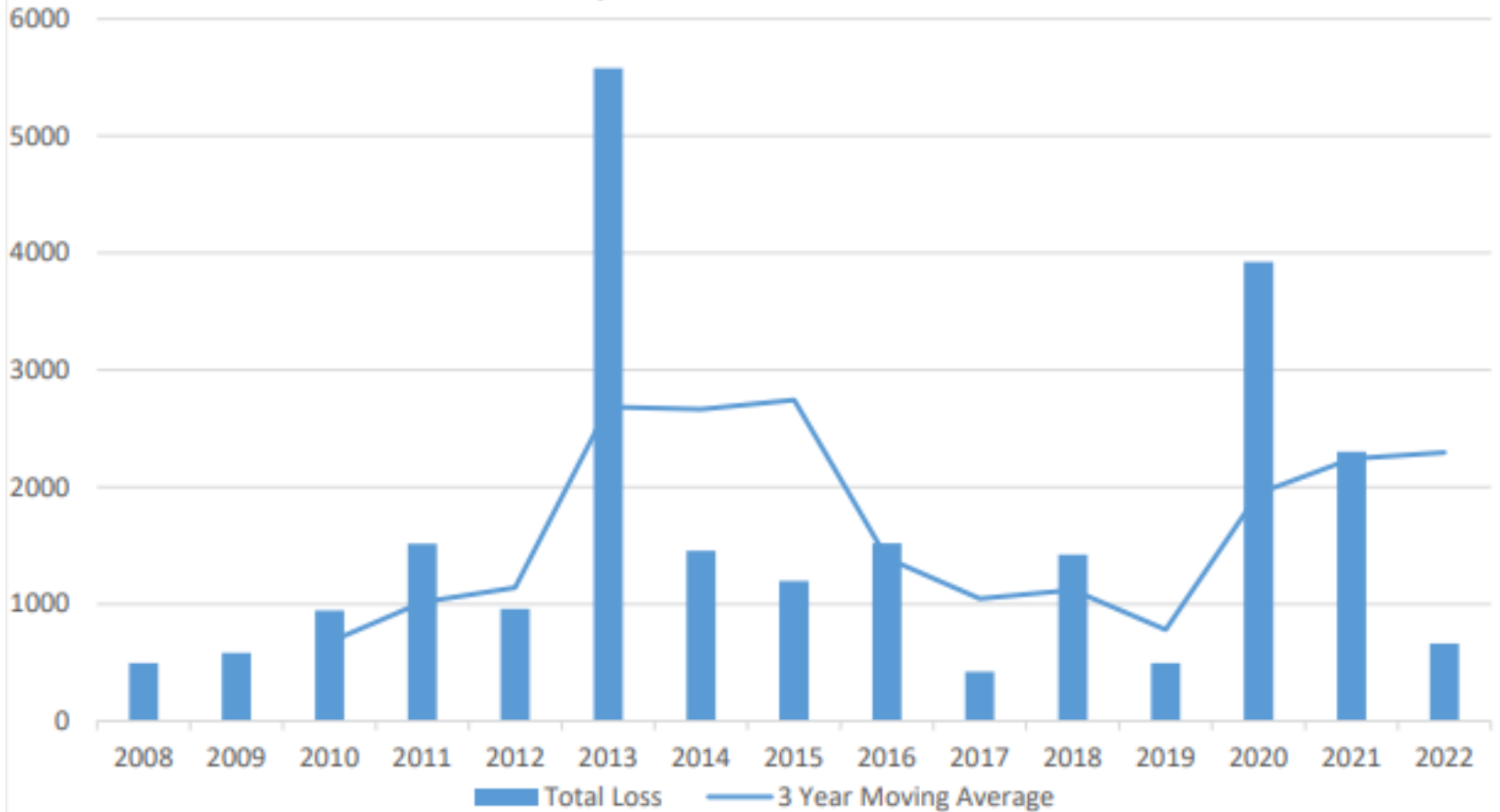








Summary of Containers Lost at Sea

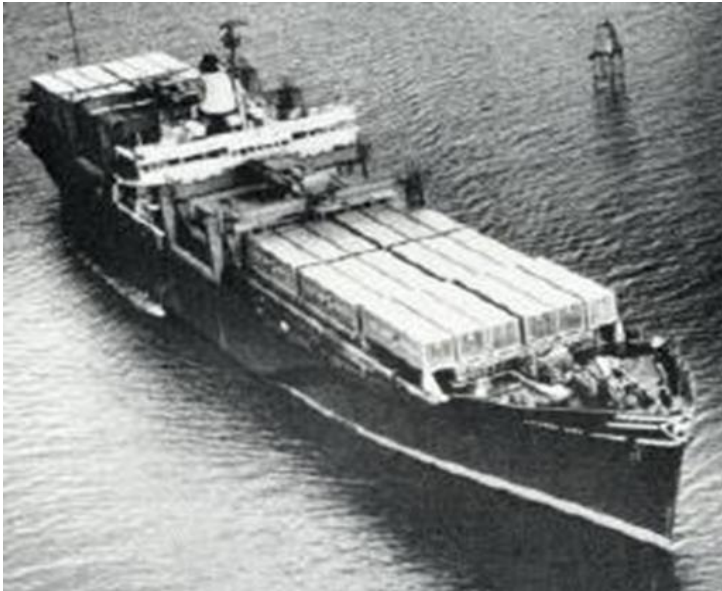








Ideal X – 1956 – 58 TEUs



MSC Irina – 2023 – 24,346 TEUs



Container Colour**Main Purpose/Use**

White	Perishable Contents
Maroon/Brown	Container Leasing Companies
Yellow/Red/Magenta/Grey/Orange/Green	Predominantly Company Branding















Key

 Piracy hotspot

 Shipping route

Institute Cargo Clauses - ICC

Standard insurance clauses recognised worldwide – originally issued by the Institute of London Underwriters.

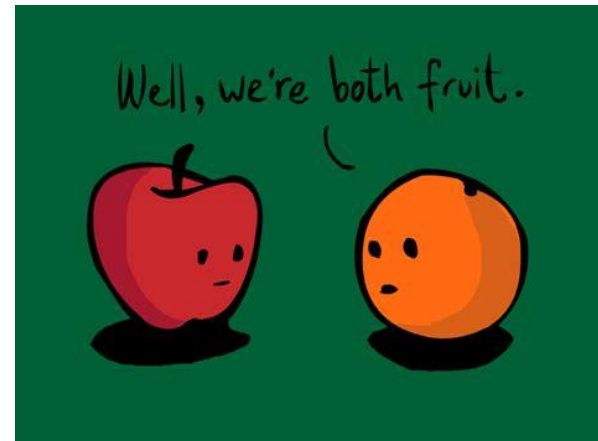


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- Three main sets of Institute Cargo Clauses
 - A, B & C
- Institute Frozen Food Clause
- Institute Commodity Clauses
- Institute Bulk Oil
- Institute Coal Clause
- Institute Classification Clause
- Institute Cargo Clauses – War & Strikes



- Institute Cargo Clauses A
 - 'All Risks' of loss or damage
- Institute Cargo Clauses B
 - Names perils
- Institute Cargo Clauses C
 - Limited named perils



**INSTITUTE CARGO CLAUSE (A), (B) & (C) CLAUSES
SUMMARY CHART - RISK COVERED / EXCLUDED**

RISKS	'A' Clauses	'B' Clauses	'C' Clauses
• Fire or Explosion	✓	✓	✓
• Vessel/Craft being stranded, grounded, sunk or capsized	✓	✓	✓
• Overturning or derailment of land conveyance	✓	✓	✓
• Collision or contact of vessel, craft or conveyance with external object other than water	✓	✓	✓
• Discharge of cargo at a port of distress	✓	✓	✓
• Earthquake, Volcanic eruption or Lightning	✓	✓	X
• General Average Sacrifice	✓	✓	✓
• Jettison	✓	✓	✓
• Washing Overboard	✓	✓	X
• Entry of sea, lake or river water into vessel, craft, hold, conveyance, container, liftvan or place of storage	✓	✓	X
• Total loss of any package lost overboard or dropped whilst loading on to or unloading from vessel or craft	✓	✓	X
• General Average and Salvage Charges	✓	✓	✓
• Pirates, Thieves and Non-delivery	✓	X	X
• Rough Handling	✓	X	X
• Contamination	✓	X	X

KEY: ✓ - Covered X - Not covered or excluded



Duration of cover

Covers starts when goods are first moved in the warehouse for the purpose of the immediate loading onto the vehicle for the commencement of transit

Continues during the ordinary course of transit

Ends whichever of the following first occurs :-

- Unloading at the consignees warehouse
- Unloading at any other warehouse to be used for storage or distribution
- Where assured elect to use any vehicle/container for storage other than in normal course of transit
- On expiry of 60 days after discharge from vessel



Exclusions

These are common to Institute Cargo Clauses A, B & C



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Ordinary leakage, loss of weight, volume



Insufficient/unsuitable packing





Inherent Vice



Delay



May cause deterioration in the cargo. This exclusion applies even though the cause of the delay may be due to an insured peril



Insolvency/financial default of vessel management



Atomic or Nuclear Weapon



Unseaworthiness



Malicious Damage

- Excluded under B & C clauses



War and strike risks

- Excluded under ICC clauses – A, B & C
- Cover can be bought back

- 6** In no case shall this insurance cover loss damage or expense caused by
- 6.1 war civil war revolution rebellion insurrection, or civil strife arising therefrom, or any hostile act by or against a belligerent power War Exclusion Clause
 - 6.2 capture seizure arrest restraint or detainment (piracy excepted), and the consequences thereof or any attempt thereat
 - 6.3 derelict mines torpedoes bombs or other derelict weapons of war.
- 7** In no case shall this insurance cover loss damage or expense
- 7.1 caused by strikers, locked-out workmen, or persons taking part in labour disturbances, riots or civil commotions Strikes Exclusion Clause
 - 7.2 resulting from strikes, lock-outs, labour disturbances, riots or civil commotions
 - 7.3 caused by any terrorist or any person acting from a political motive.



War



- Provides cover for war risks
- BUT only whilst on water
- Includes derelict mines and torpedoes



Strikes



Strikes, riots, civil commotion,
locked out workers **and** terrorism



But not delay



- Marine, war and strike risks are insured separately
- Different cancellation notice periods
- Different duration periods
- Be aware of sanctions

CANCELLED

SANCTIONS



Average

Has a different meaning in marine insurance compared to general property insurance



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Average in marine insurance

- Average = loss
- Partial loss = particular average
- General average

Different



General Average



When, and only when, any extraordinary sacrifice or expenditure is intentionally and reasonably made or incurred for the common safety for the purpose of preserving from peril the property involved in a common maritime adventure



Conditions for a General average act

Extraordinary Sacrifice or Expenditure

01

Intentional Sacrifice or Expenditure

02

For the Common Safety

03

There must be a peril

04



Jettison of Cargo

Loss or Damage by Sacrifices for
the Common Safety

Extinguishing Fire on Shipboard

Cutting away Wreck

Voluntary Stranding

Damage to Machinery and Boilers

Cargo, Ship's Materials and Stores
used for Fuel



General Average

- Contributions based on values at time and place where adventure ends
- Cargo policy provides general average guarantee
- If uninsured – still liable for general average (GA) costs
- If underinsured – usual average condition applies
- Piracy – no cover for GA under ICC B or C



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