

Cargo Insurance A to Z

Act of God

A natural event such as flood, storm, lightning, or earthquake not caused by nor preventable by any human agency, and for which no transporter can be held accountable.

All risk

The broadest form of insurance coverage available, providing protection against all perils of physical loss or damage from an external cause. Loss must be fortuitous, i.e. accidental, to be covered. All risks does not cover inevitable loss, wear and tear, delay, inherent vice, preshipment condition, inadequate packaging, or loss of market.

Approved Packing

Packaging that meets the packaging industry standards of sufficient design and construction to protect the cargo from the normal hazards expected to be encountered during the intended voyage, including normal domestic handling and storage from point of origin to final destination.

Average

Any loss or damage to a vessel or cargo that is due to an insured peril and is less than a total loss.

Blocking and Bracing

Materials (usually wood-timber) used to secure, immobilize and protect cargo by preventing its course movement or shifting during transit.

Cargo Clauses

What's the difference in Institute Cargo Clauses (A) (B) (C)?

- Institute Cargo Clauses (A) the widest of covers available, covering All Risks.
- Institute Cargo Clauses (B) is not an All Risks policy
- Institute Cargo Clauses (C) covers the same risks as the (B), except damages or loss caused by earthquake, volcanic eruption or lightning, entry of Sea, and Total Loss of packages lost overboard during (un)loading are not covered.

Check the policy document

Always check the policy document that is in your possession, check if there is any prescribed claims handling agent in the country of destination stated in the policy schedule. Those who buy CIF where the seller is buying the insurance, the insurer is usually foreign, possible not registered in your country, thus the reliance on the claim handling agent is unavoidable. Usually for imports (from foreign country), your policy should contained the relevant settling or claims handling agent

Certificate of Insurance

In Marine Insurance, a document issued on behalf of an insurance company covering a specific shipment. It states the terms and conditions of the cargo insurance and is subject to the terms

and conditions of the underlying open cargo policy. It is not a "stand-alone" policy. It is used when evidence of insurance is required, especially by a bank issuing a letter of credit.

Classification Societies

Organizations which survey and classify ships according to their condition for insurance and other purposes. Well known organizations:

- Lloyd's Register of Shipping
- SGS
- Bureau Veritas

Clean B/L

A B/L without notation of damage exceptions to the cargo or the packing. A clean B/L is prima facie evidence of the apparent good order and condition of the cargo when received by and accepted for carriage by the carrier.

Contingency Insurance

Backup insurance that protects a party's interest if certain events occur, e.g. if the Assured buys or sells cargo on terms under which the insurance is arranged by the other party, and that insurance fails to respond to a covered loss, the Contingency Insurance protects the Assured's interest in the shipment.

Experienced shippers

Some shippers allow goods to move on the Incoterms[®] CFR and FOB terms because they think they're no longer at risk when the documents are released. Numerous pitfalls await the shipper who inadvertently relies on the buyer's insurance, particularly when the buyer owes money on the goods. If there's a loss and the buyer's insurance is inadequate, he may choose to default. That's why experienced shippers carry their own cargo insurance.

General Average (G A)

An ancient principle of equity, recognized by maritime nations, pre-dating the concept of insurance and still valid today, in which all parties involved in a sea adventure (vessel, cargo, and freight) proportionately share losses resulting from a voluntary and successful effort to save the entire venture from an imminent peril. There are two types of General Average acts:

1. Voluntary Sacrifice of a part of the vessel or a part of the cargo, e.g. jettison of property to stabilize the vessel during heavy weather.
2. Extraordinary Expense necessarily incurred for the joint benefit of vessel and cargo, e.g. towing charges incurred to assist a disabled vessel to a port of refuge.

General Average Agreement

A guarantee by the owner of the cargo (usually the consignee) to pay that proportion of the

general average contribution, salvage, or special charges owed by the shipment, and to give information about its value so an Average Adjustment can be prepared. The vessel owner will not release cargo for delivery to the consignee until the cargo owner signs this average agreement or bond, which is prepared by the general average adjuster.

I already have insurance

Clients often believe that their cargo insurance policy, or their freight forwarding company, protects them from cargo losses. The problem is that most standard property policies do not cover goods in transit. Those that do, provide limits that may be inadequate to meet your client's needs. And, the company that you hire to transport goods may not cover losses, unless insurance is purchased from them. No cargo carrier is obligated to pay for losses which occur beyond their control.

Inherent Vice

A loss caused by the nature of the thing insured and not the result of a fortuitous external cause; e.g. spontaneous combustion of bulk grain.

Institute Clauses

Clause's agreed in the London insurance market and offered by the Institute of London Underwriters.

Insurable Interest

A real stake in a specific property to the extent that loss of or damage to the property could cause a financial loss.

Insurance through freight forwarders

Freight forwarders often offer cargo Insurance. If insurance is placed through a freight forwarder, the exporter cannot always be certain that coverage is as broad as necessary. Here are some questions you may want to ask: Is the freight broker providing first party coverage or only assuring that there is liability coverage in place for the cargo carriers? Does the freight forwarders coverage include protection for warehousing worldwide, domestic transit, installation? Who will your clients call for claim support and adjustment?

Letter Of Credit

A document issued by a bank and used to pay for cargo. The buyer arranges a letter of credit from its local bank, creating a fund in a foreign bank near the seller in a specified amount in the seller's favour. The buyer authorizes the seller to draw drafts against the fund for goods purchased by the buyer. A sum of money is paid to the seller under specific terms and conditions, including the receipt by the bank of certain documents within a given time.

Loss of Market

A reduction in the value of merchandise for reasons other than physical damage - either late



arrival or obsolescence; e.g. Christmas trees arriving undamaged in January. This is a "business loss" and is not recoverable under a Marine Cargo Policy.

Non-Delivery

A loss in which an entire shipping package and its contents are missing at destination. Non-delivery does not include pilferage of cargo from a package where the package itself is delivered.

On Deck Cargo

Cargo carried on the main deck of the vessel, or other spaces above the main deck; cargo carried on deck is subject to damage by wind, sea water, and being washed overboard.

Open Policy

A cargo policy with no expiration date that provides automatic coverage of cargo shipments to or from an Assured in a specified trade at agreed rates, terms, and conditions. The marine and war policies are usually two separate open policies.

Partial Loss

Any loss to cargo or a vessel that is less than a total loss. If the partial loss is directly caused by a peril insured against, it is a particular average loss.

Packing and insurance

Do "all risks" insurance really covers all the risks? Loss damage or expenses caused by insufficiency or unsuitability of packing or preparation of the subject matter is not covered. Goods must be packed in accordance with the customary trade practice even when you make an EXW (ex works) delivery. Anything less than this could result in a claim being denied by the Insurance Company. You better make sure that you consult and expert for your export packing.

Particular Average (PA)

A partial loss of the property insured (vessel or cargo, including total loss of part of a cargo shipment) caused by a peril insured against, and which is not a General Average loss.

Pilferage

The theft of part or all of the contents from a shipping package where the package itself is delivered at destination.

Recovery

Amount received from a third party responsible for a loss on which a claim has been paid.

Risk

A fortuitous peril or hazard; i.e. something that may happen, not something that is inevitable.

**Sacrifice**

The deliberate destruction or jettisoning of property to prevent courser loss.

Settling Agent

An insurance company's representative in a foreign country whom is authorized to settle claims and make payment on behalf of the insurance company.

Special Drawing Rights (SDR)

An international monetary unit used to measure and compare the changing market values of currencies of member countries of the International Monetary Fund. It is equal to the market value of currencies of the Europe, United States, Japan and England. [Click here to go to the IMF website](#)

SR & CC Warranty

Strikes, Riots & Civil Comotions A clause in marine insurance policies that excludes liability for losses caused by the acts of strikers, locked-out workers, or persons taking part in labour disturbances or riots or civil commotions or for losses which are directly caused by persons acting maliciously. This coverage may be restored to the policy by means of the SR & CC Endorsement, for an additional premium.

Total Loss Only

An insurance policy covering ONLY the total loss of an entire vessel, an entire cargo shipment or other property from an insured peril. A partial loss, even from an insured peril, is NOT covered by the Total Loss Only Policy.

UCP600

The Uniform Customs and Practice for Documentary Credits (UCP) is a set of rules on the issuance and use of letters of credit. The UCP is utilized by bankers and commercial parties in more than 175 countries in trade finance. Some 11-15% of international trade utilizes letters of credit, totalling over a trillion dollars (US) each year.

Valuation Clause

The clause in the Marine Policy that contains a consistent basis of valuation agreed upon by the Assured and the insurance company and which establishes the insured value of the cargo or vessel when the insurance attaches.

Warehouse To Warehouse Clause

A clause in a cargo policy defining when coverage attaches and terminates. Coverage attaches when the cargo leaves the warehouse at the place named in the policy, and continues during the ordinary course of transit after discharge at the final port. Coverage ends when one of the following first occurs: When the cargo is delivered at the final warehouse at the destination named in the policy, or 15 days after discharge if the final destination is within the port, or 30 days after discharge if the final destination is outside the port.

**Warranty**

An undertaking in which the Assured promises to comply with certain conditions. Non-compliance constitutes a breach of warranty and the insurance company is discharged from liability from the date of the breach.

War Risks

Those risks related to two (or more) belligerents engaging in hostilities, whether or not there has been a formal declaration of war. Such risks are excluded by the F.C. & S. (Free of Capture and Seizure) Warranty, but may be covered by a separate War Risk Policy, at an additional premium.

Wear & Tear

The ordinary wearing away of the various parts of a vessel, machinery, and equipment through use. Such damage is not accidental in nature, but is inevitable.