# MARINE INSURANCE - ARE WE REALLY COVERED?

**Extract from the Bi-Monthly Lecture/Discussion**
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**Q1. Who Needs Marine Insurance?**

**A1.** Anyone who Imports, Exports or Moves Cargo from one place to another or who stands to lose financially if the goods are damaged or lost

**Q2. Why Should Cargo be Insured?**

**A2.** Because it is only too easy for Cargo to be lost or damaged in transit, whether you own the goods or have a financial interest in them.
A loss could be Financially Crippling

**Q3. What are the types of covers available?**

**A3** **T**here are three internationally recognised Clauses under which cover can be granted. These clauses are known as “Institute Cargo Clauses”

**Q4. What risks are covered under Institute Cargo Clauses (A)?**

**A4.** This is the widest possible cover, which covers all risks of loss or damage to the subject matter (Cargo) except a few standard Exclusions.

**Q5. What risks are covered under Institute Cargo Clauses (C)?**

**A5.** This is the most restricted clause and covers only loss or damage reasonably attributable to:

- Fire
- Explosion
- Vessel being stranded or sunk
- Overturning or derailment of the land conveyance
- Collision of the vessel
- Discharge of cargo at port of distress
- General Average Sacrifice
- Jettision

**Q6. What risks are covered under Institute Cargo Clauses (B)?**

**A6.** This Cover is similar to “C” Clause, but in addition covers :

- Earthquake, volcanic eruption or lightning
- Washing overboard.
- Entry of sea, lake or river water into vessel, craft hold conveyance, container, liftvan or place of storage.
- Total loss of any package lost overboard or dropped whilst loading/unloading from vessels.

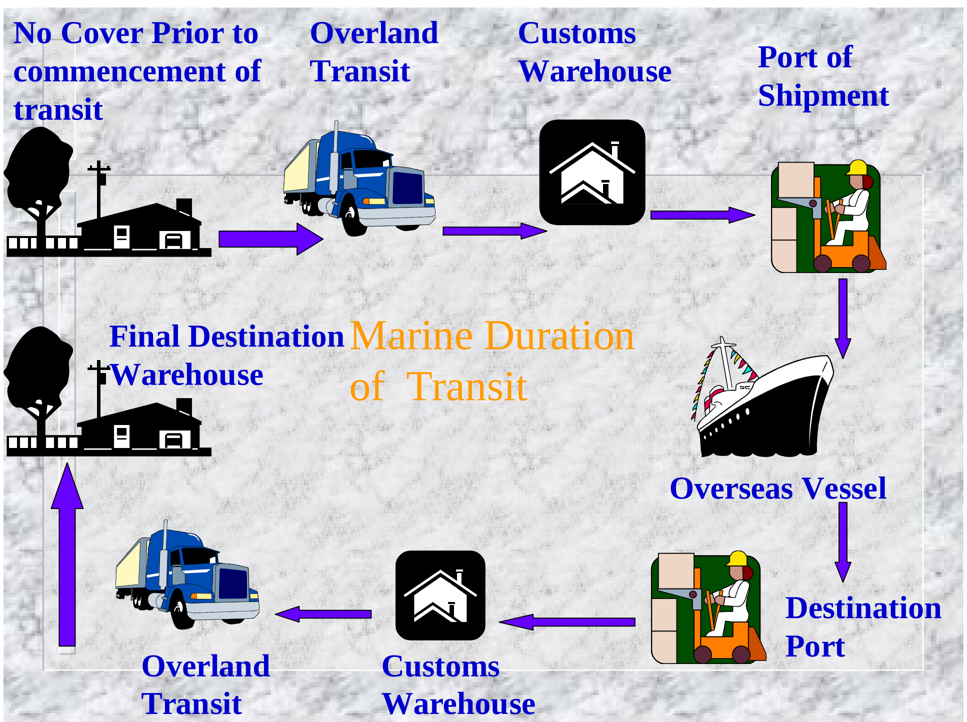
**Q7. What are the General Exclusions under the above Cargo Clauses?**

**A8.** All three Clauses exclude the following risks:

- Willful misconduct of the Assured
- Ordinary leakage, ordinary loss in weight or volume or ordinary wear and tear
- Insufficiency or unsuitability of packing or preparation of the subject matter insured
- Inherent vice or nature of the subject matter insured
- Delay
- Insolvency
- Unseaworthiness and unfitness of vessel craft conveyance, containers, etc.
- War
- Strikes

**Q8. What is the Duration of the Marine Cover?**

**A8.** There is no Cover Prior to commencement of transit. The cover will start only from the commencement of the movement of the goods and end when the goods are discharged at the buyer's warehouse. However the maximum period covered after goods are unloaded at the port of destination is 60 days for sea shipments and 30 days for air shipments.



**Q9. Does the above three clauses cover War & Strikes Risks?**

**A9.** War and Strikes Clauses could be added to include the risks of War / Strikes, Civil Commotion Etc

**Q10. What are the Risks covered under the Institute Strikes Clauses (Cargo)?**

**A10.** Loss of or damage to the subject-matter insured (cargo) caused by

i) strikers, locked-out workmen, or persons taking part in labour disturbances, riots or civil commotions

ii) any terrorist or any person acting from a political motive

**Q11. What are the Risks covered under the Institute War Clauses (Cargo)?**

**A11.** Loss of or damage to the subject-matter insured (cargo) caused by War Civil war Revolution Rebellion Insurrection, or civil strife arising therefrom, or any hostile act by or against a belligerent power

**Q12. What are the differences in the risk covered by the above three Clauses?**

**A12.**

| ***Risks Covered and the Exclusions*** | ***Institute Cargo Clauses*** | | |
|---|---|---|---|
| | **(A)** | **(B)** | **(C)** |
| **Loss or damage to the subject matter insured *proximately caused by* (in Clause (A) and *reasonably attributable to* {in Clauses (B) and (C)}** | | | |
| **(Y = Yes, N = No)** | | | |
| Fire or explosion | **Y** | **Y** | **Y** |
| Vessel or craft stranded, sunk, burnt or capsized | **Y** | **Y** | **Y** |
| Land conveyance overturned or derailed | **Y** | **Y** | **Y** |
| Collision or contact of vessel, craft or conveyance With any external object except water | **Y** | **Y** | **Y** |
| Discharge of cargo at port of distress | **Y** | **Y** | **Y** |
| Earthquake, lightning or volcanic eruption | **Y** | **Y** | **N** |
| *Malicious damage* | **Y** | **N** | **N** |
| Theft | **Y** | **N** | **N** |
| *Delay* | **N** | **N** | **N** |
| *Inherent vice* or the nature of the subject matter insured | **N** | **N** | **N** |
| *Willful misconduct of the assured* | **N** | **N** | **N** |

| Loss or damage to the subject matter insured caused by | | | |
|---|---|---|---|
| *General average sacrifice* | Y | Y | Y |
| *Jettison* | Y | Y | Y |
| Washing overboard | Y | Y | N |
| Entry of sea, river or lake water into vessel, craft conveyance, container or place of storage | Y | Y | N |
| Total loss of any package lost overboard, or dropped while loading on to or unloading from vessel or craft | Y | Y | N |
| *Piracy* | Y | N | N |
| *War* | N | N | N |
| *Strikes, riots and civil commotion* Including terrorists or any persons Acing from a political motive | N | N | N |
| *Use of any atomic or nuclear weapon* | N | N | N |
| *Ordinary leakage*, *ordinary loss* in weight or volume, or ordinary wear and tare | N | N | N |
| *Insufficiency or unsuitability* of packing | N | N | N |
| The *assured privy* to the unworthiness vessel or craft and/or unfitness of vessel, craft, conveyance or container at the time of loading | N | N | N |
| *Insolvency or financial default* of the owners Or operators of the vessel | N | N | N |

**Q13. What are Marine Cargo - Individual Cargo Policies?**

**A13.** An Insurance Policy to insure the export or import of a single shipment of goods (Voyage Policies)

**Q14. What is Marine Cargo Open Cover?**

**A14.** An Insurance Policy under which:

- i) Automatic insurance protection is available for imports and exports, with premiums charged as declarations of shipments are made.
- ii) Insurance cover is always 'Open' until cancelled by either party
- iii) Certificates are issued for individual shipments

**Q15. What are Annual Marine Cargo Open Policies?**

**A15.** Insurance Policies under which:

- ii) Convenient Insurance is available for all shipments where the client's risk attaches during the policy period.
- ii) Premium is by deposit, adjustable on actual declared value of annual shipments.
- ii) Cover is best suited for Imports

**Q16. What are the disadvantages of taking insurance cover overseas?**

**A16.** Some of the disadvantages are:

- i) Higher costs?
- ii) Scope of Cover may be uncertain
- iii) Cover may not be adequate for the given voyage
- iv) Dealing with the intermediary rather than the Principal

**Q17. What are the advantages of taking insurance cover locally?**

**A17.** Some of the advantages may be:

- **i)** Lower cost?
- ii) Proper & adequate Cover
- iii) No lengthy correspondence
- iv) Face to face contact with Insurer
- v) Special premium rates facilities could be negotiated
- vi) Fast and efficient Claims settlement
- vii) Policies could be tailor made to suit your requirements.
- viii) Surveys and Risk Improvements/Management could be arranged free of charge.
- ix) Covered from seller's warehouse anywhere in the world through Port/Airport and all the way up to your final warehouse
- x) Additional expenses such as duty/defence levy, profit etc. could be added
- xi) For frequent importer an Open Cover could be arranged, with your banker's financial interest stated.

**Q18. If the policy names both the bank and the importer/exporter as the insured, can the bank lodge a claim on their own, without an endorsement on the Insurance Policy by the exporter/importer?**

**A18.** Yes, provided the bank has an insurable interest

**Q19. In an Insurance Policy, if the name of the importer/exporter is indicated as the insured and the name of the bank is mentioned under 'financial interest', can that bank lodge a claim without the endorsement of the insured on the Insurance Policy?**

**A19.** Yes, provided the bank has an insurable interest

**Q20. Is an insurance Policy negotiable as long as the holders have an insurable interest?**

**A20.** Yes. A claim will be entertained only from a party who has an insurable interest.

**Q21. In comparison to Institute Cargo Clause –A, Institute Cargo Clause –B and Institute Cargo Clause –C, in respect of the type of risks covered what is the equivalent of Institute Cargo Clause (Air Cargo)?**

**A21.** Institute Cargo Clause -A

**Q22. Insurance Policies covering exports sometimes quotes the exact wording given in the LC stating "Bank requirement' or 'LC requirement' in addition to the various insurance clauses. In such cases can we assume that all the risks required by the LC are covered?**

**A22.** Not necessarily so. The bank will have to determine whether the required risks are covered or not since some of the clauses contained in LCs have no meaning today.

**Q23. If the bill of lading evidences that transshipment will take place but there is no express indication of it in the Insurance Policy, are transhipment risks covered in terms of the Institute Cargo Clause used?**

**A23.** Yes, provided it is in the usual sea route

**Q24. When warehouse to warehouse cover is obtained, either in terms of the Cargo Clause used or by an express statement in the Policy, would the Policy cover any risks during the period prior to the date of issue of the Policy?**

**A24.** The cover is available from the commencement of transit until the cargo arrives at the destination warehouse, or for a maximum of 60 day's at the destination port or 30 days at the Airport.

**Q25. When warehouse to warehouse cover is obtained, either in terms of the Cargo Clause used or by an express statement on the Policy to that effect, would the Policy cover the risks during the period prior to the date of issue of the Policy?**

**A25.** The cover is available only from the date of the policy.

**Q26. What is the difference between a Franchise & an Excess?**

**A26.** In the case of a 'Franchise' if the loss is in excess of the amount of the 'Franchise' the claimant is entitled to claim the full value. In the case of an 'Excess' if the loss is in excess of the amount of the 'Excess' the claimant is entitled to claim only the amount of the loss less the amount of the 'Excess'. However in both cases claims for less than the amount of the 'Franchise' or 'Excess' will not be entertained.

**Q27. Which of the Institute Cargo Clauses (A, B, C and Air Cargo) are subject to any Franchise or Excess?**

**A27.** All three Clause may or may not be subject to a 'Franchise' or an 'Excess'. The Insurance Policy should be examined to determine whether it is subject to a 'Franchise/Excess' or not.

**Q28. If the Insurance Policy indicates an 'Excess' or 'Franchise' does it mean that it is against the requirement in a LC - 'irrespective of percentage'?**

**A28.** Yes.

**Q29. Under 'Open Cover' 'Open Policies' and 'Floating Policies', do the insurance companies always issue Certificates of Insurance for each shipment?**

**A29.** In the case of 'Open Cove' there is no contract between the Insurer and the importer/exporter unless a declaration is made and a Certificate is issued. In the case of an 'Open Policy' or 'Floating Policy' a contract exists between the Insurer and the assured and therefore a Certificate of Insurance is not mandatory.

**Q30. What is the insurance document needed to be submitted with the claim forms, for a claim to be made under an 'Open Cover', 'Open Policy' or a 'Floating Policy' Insurance?**

**A30.** The Certificate of Insurance