30 | 1979 - 2009
CELEBRATING 30 YEARS OF SERVICE

TAYLOR PATTERSON
CORPORATE INSURANCE

Marine Insurance cover for Exports and Imports

Mike Rooke

Taylor Patterson Corporate Insurance

11 March 2011

Marine Cargo Insurance

TAYLOR PATTERSON
CORPORATE INSURANCE

The MSC Napoli had over 40% of the goods uninsured

Marine Cargo Insurance

TAYLOR PATTERSON

CORPORATE INSURANCE

"A riddle, wrapped in a mystery inside an enigma"

?

Let us help remove the confusion surrounding Marine Insurance

Mike Rooke (BSc, ACII) - over a decade of Marine Cargo Insurance experience
as an Underwriter and Broker

Marine Cargo Insurance
What are companies currently doing?

TAYLOR PATTERSON
CORPORATE INSURANCE

Relying on the freight forwarder?	So what's wrong with that?	Cover inadequate and expensive
Relying on the haulier?	So why is that not a good idea?	They only insure their liability
Relying on your customer's insurance arrangements?	How do you know the insurance is arranged correctly? - You don't!	Cover could cease at port and you may have a loss after that point

Marine Cargo Insurance

If I rely on third parties, what cover do I get?

TAYLOR PATTERSON
CORPORATE INSURANCE

- **Forwarders** – Will use their own marine cargo cover. Clients are insured for each one off journey. Insurers rates are very expensive using this method of cover and this is passed onto the exporter/importer.
- **Forwarders** – If you ask them to ship goods they will operate on CMR or RHA conditions. They will also charge the exporter an administration fee. The disadvantage of relying on a forwarder's cover is the rates depend on the claims experience of others.
- **CMR** = 8.33 SDR's per kilo (about £7800 a tonne or £78 a kilo). This is wholly inadequate in relation to the value of goods.

Marine Cargo Insurance

What about hauliers?

TAYLOR PATTERSON
CORPORATE INSURANCE

- Reliance on a haulier - operating under RHA conditions
- Cover provided? None!
  Cover purchased by hauliers is to defend their own liability for carrying your goods
- Hauliers operating under RHA 2009 conditions cover £1300 a tonne (£13 a kilo). This is insufficient for most goods e.g. high value low weight electronic goods
- Hauliers' liability covers have numerous exclusions such as defecting packaging and circumstances beyond the haulier's control

Marine Cargo Insurance

How much does it cost?

TAYLOR PATTERSON

CORPORATE INSURANCE

- Not as much as you may think
- For £10,000 of machinery, as part of an annual policy where the whole of your turnover is covered, the premium would be £10 to Europe or £20 to the Far East
- Cover could be arranged as a “one off” or facultative movement for companies with low turnovers. Rates would be higher in this case but still relatively inexpensive
- Annual premiums start at £500 to protect turnover

Marine Cargo Insurance

Incoterms – how cargo insurance is involved

TAYLOR PATTERSON
CORPORATE INSURANCE

Ex Works

- If a company is exporting ex works they are confirming to their customer that they are not arranging insurance
- Pitfalls?
  - If a company is paid up front – none as there is no financial exposure.
  - If a company does not get paid until 30 or 60 days after safe arrival there are many pitfalls:
    - The goods could fail to arrive or be damaged
    - The exporter would then not be paid or the goods could be rejected and returned or lost in transit and the recipient would expect a replacement order to be fulfilled.

Marine Cargo Insurance

Incoterms – how cargo insurance is involved

TAYLOR PATTERSON
CORPORATE INSURANCE

Cost Insurance and Freight (CIF)

- This covers the goods from the time they are loaded to the time they are unloaded at the final destination
- When would you use this term? When you have not been paid for the goods and you have an "Insurable Interest" in the goods i.e. you have a financial exposure until the goods arrive safely
- If exporting, the seller arranges the insurance and movement of the goods
- Basis of Valuation = Manufacturing cost of the goods plus Insurance costs plus freight costs plus 10% for loss of market
- This can be done on a whole turnover basis or for each shipment on low turnovers

Marine Cargo Insurance

Incoterms – how cargo insurance is involved

TAYLOR PATTERSON
CORPORATE INSURANCE

Free on board (FOB)

- The seller arranges the cover up to the named port onto the ship in the shipment documents
- What happens if I arrange to send on FOB terms and I have a claim after the goods have gone on the vessel?

- Insurance cover is arranged to include all FOB/FAS and CFR sendings automatically
- Insurer will ask you to claim from the purchaser’s insurance cover
- To avoid this, you can arrange, via your insurance broker, a sellers interest cover
- Sellers interest acts as a contingent cover should the recipient fail to take delivery of the goods or the contract is suspended until return to the seller

Marine Cargo Insurance

What covers can be purchased?

TAYLOR PATTERSON
CORPORATE INSURANCE

Institute Cargo Clauses "A"

- This represents all risks of physical loss or damage. Cover includes physical damage to the goods, theft, shortage and pilferage and dropping of the goods overboard, stranding, sinking and capsizing of the vessel
- It is strongly recommended that all goods are covered under Institute Cargo Clauses "A"
- Use this clause for high value and low weight consumer products
- This is the most commonly used cover as it represents the widest cover available

Marine Cargo Insurance

What covers can be purchased?

TAYLOR PATTERSON

CORPORATE INSURANCE

Institute Cargo Clauses "B"

- More limited cover against fire, collision with any external object other than water, overturning, stranding, sinking and capsizing, discharge at the port of distress, jettison, general average sacrifice, ingress of sea lake or river water into the lift-van or container or the vessel or carrying vehicle plus total loss of the goods if dropped overboard
- Use this clause for low value high weight robust products such as aggregates and heavy second-hand machinery
- Not recommended for consumer products

Marine Cargo Insurance

What covers can be purchased?

TAYLOR PATTERSON
CORPORATE INSURANCE

Institute Cargo Clauses "C"

- Cover against fire, explosion, vessel or craft being stranded grounded sunk or capsized, overturning or derailment of land conveyance, collision or contact of vessel craft or conveyance with any external object other than water, discharge of cargo at a port of distress, loss of or damage to the subject-matter insured caused by general average sacrifice and jettison
- Use this for low value bulky items not easily damaged by water ingress

Marine Cargo Insurance

Next steps?

TAYLOR PATTERSON
CORPORATE INSURANCE

Recommendations

- Arrange an annual marine cargo policy which covers your goods under CIF +10% basis of valuation from warehouse to warehouse under Institute Cargo Clauses “A”
- Ensure you have “sellers interest” cover for any sendings on terms other than CIF
- If you are buying goods and are unsure of the terms of the sellers insurance cover purchase “buyers interest” cover

Marine Cargo Insurance

Support that you should expect from a reputable broker

TAYLOR PATTERSON

CORPORATE INSURANCE

- Arrange an annual marine cargo policy to include buyers interest cover
- Bespoke cost-effective insurance for your cargo cover
- Locally represented professional insurance broker
- Local claims service by Marine experts
- Ensure your cargo insurance is arranged on the correct basis taking into account your terms of sale
- Advice on loss prevention and good practice
- Peace of mind

Marine Cargo Insurance

Taylor Patterson Corporate Insurance
Lanson House
Winckley Gardens
Mount Street
Preston
Lancashire PR1 8RY

Tel	01772 555073
Web	www.taypat.co.uk
Mike Rooke	mike.rooke@taypat.co.uk
Peter Millington	peter.millington@taypat.co.uk