Marsh

Marsh Specialty

CargoCover: Frequently asked questions about cargo insurance

Fast, easy, secure, and convenient

What is Cargo Insurance?

It is physical loss or damage insurance of goods carried by vessel, road, rail, aircraft, post, or by any other conveyance. This insurance protects those who have an insurable/financial interest in the cargo (buyer or seller and intermediaries, if so structured). Coverage ranges from All Risks to Named Perils, with common extensions as well as customized wordings.

What is an "All Risks" Policy ('A' Clauses)?

An all risks policy is the broadest form of coverage, however it does not cover "every" risk. Unless specifically included, it will not cover loss of market, loss or damage caused by delay, inherent vice of the goods, war, strikes, riots, or civil commotions. This coverage is now generally referred to as Institute Cargo Clauses (A), or 'A' Clauses.

My transit carrier provides insurance. Why do i need to buy cargo insurance?

Your own cargo insurance policy ensures sufficient limits of liability, known coverage conditions and consolidated claims handling. Additionally, your own cargo insurance policy will be a less expensive alternative to transit carrier provided insurance.

What is the difference between inland transit insurance and ocean cargo insurance?

Inland transit insurance covers domestic transits via land conveyances and/or air shipments (domestic vessel transits are usually insured under an Ocean Cargo Policy). Ocean cargo insurance provides coverage for international ocean and/or air shipments on a warehouse to warehouse basis (including the land connecting conveyance transits).

Why do I need War Risks Insurance?

War Risks Insurance is a separate contract/policy which offers protection against war perils (stray mines and torpedoes, terrorist acts at sea, etc.), while the cargo is at sea. Combined with the Cargo Policy, there is coverage for Missing Vessels in one policy or the other. Consideration for Strikes riots and Civil Commotions (SR & CC) coverage is included in the War Risks premium. The SR&CC coverage is added on to the Cargo Policy by endorsement.

What does "CIF+10%" mean?

CIF+10% stands for:

C = Cost/invoice value (purchase cost if your client is the buyer, or selling price if they are the seller)

I = Insurance premium

F = Freight and associated charges (e.g. customs clearance charges)

PLUS an additional 10% to cover additional charges incurred due to fluctuations in currency or additional freight cost.

The intention is to indemnify your client, including allowances for additional cost for reshipping.

What does warehouse to warehouse mean?

Coverage for transit insurance is often referred to as warehouse to warehouse. It is important to note, however, that coverage may be more accurately determined by the terms of sale used in each transaction (e.g. Free on Board (FOB), etc.). Coverage is warehouse to warehouse only when the insured is responsible to provide such coverage based on the sales terms. In this case coverage attaches at the point at which transit commences, and terminates when the cargo is delivered to the final destination subject to certain restrictions. Both the attachment and termination points may be inland, many miles from the ports of loading and discharge, and may include interim storage, but only during the ordinary course of transit.

Is a valued inventory list required?

Shipments of personal effects may contain a warranty that requires the submission of an itemized and valued inventory prior to shipment. If this is not provided, in the event of a loss an average value per package may be determined based on the total insured value of the shipment and the total number of packages.

What happens if i under-value a shipment for insurance purposes?

The value of the shipment declared for insurance should reflect the true value of a shipment. If a loss occurs and the amount declared is found to be less than the true value, the claim settlement may be pro-rated to a lesser amount. In these situations, it is as if the insured is acting as a co-insurer of the shipment and sharing in the loss.

What do i do when i discover a loss or damage to a shipment?

Follow the instructions outlined on your Certificate of Insurance. Report the loss to the carrier in writing advising them that you intend to submit a claim for the loss. Contact the surveyor at the destination (usually shown on the Certificate of Insurance), who will attend and establish the cause and extent of the loss. Advise your broker, who will assist with managing the claims process.

How should an insured act in the event of a claim for loss or damage?

The insured must at all times act in the same manner as they would if they were uninsured, or what is called "acting as a prudent uninsured." This is the basis on which all insurance is governed and prevents an insured from simply abandoning their cargo.

What is a General Average?

A loss arising through a voluntary sacrifice of any part of the ship or cargo, or an expenditure to safeguard the ship and the rest of the cargo. When the vessel owner declares a general average, the vessel owner and all the cargo interests will share the expenses associated with the general average on a pro-rata basis. These expenses are covered under your Marine Cargo Policy. Such losses can be significant and may require letters of guarantee to have the cargo released. A letter of guarantee would be issued by the cargo underwriters and is an agreement to meet the insured's liability for contribution.

What are the "Incoterms"?

Incoterms are a frame work that help define responsibilities of the buyer and the seller and are recognized as the international standard by custom authorities and courts in all the main trading nations. They are standard trade definitions and are issued by the International Chamber of Commerce. Incoterms reduce the risk of misunderstandings and legal disputes. Incoterms also specify the loading and unloading responsibilities of the buyer and seller. There are 11 Incoterms, each denoted by a 3-letter code. The terms are grouped in four categories based on the first letter in the three-letter abbreviation.

See https://iccwbo.org/resources-for-business/incoterms-rules/incoterms-2020/ for more information.

Doesn't the shipping company have to cover my loss?

A shipping company does not provide insurance for cargo. They do have liability insurance to cover the company should you make a claim against them. To make a claim you must:

1. Prove the shipping company is at fault - there may be more than one shipping company involved in the transport of your goods
2. Understand that a shipping company has many exemptions from liability — "Acts of God", riots, strikes, etc.
3. Realize there is a maximum amount you can claim — it is limited by law.
4. Act quickly — there are time limits for making a claim.

Since I only ship free on board (FOB), do I really need insurance?

FOB presents unique challenges. At times, it is difficult to determine at what point the insurance actually goes into effect. Also, portions of the travel may not be covered — you need to review the specific language of the policy document. Keep in mind that you are relying on a foreign insurance policy if you need to make a claim. How strong is the currency of the country where the policy is written? What currency restrictions does that country have in place? These can severely hamper your claim and collection.

I only import cost insurance and freight (CIF). Why would I need added insurance?

You might want to ask these important questions: What is the level of insurance provided? Does it cover partial loss, or only total loss? Can you, as the importer, collect payment for a claim outside of the country of origin? How much is this insurance costing you? Many times that price is hidden in the total charges, and you may be able to secure better coverage yourself.

I already have my own policy. Isn't that enough?

Ask your insurer what conditions and exclusions your policy has. What are the deductibles if you need to make a claim? What conditions are covered — all-risk, war clauses, riots, strikes, civil disobedience? There may be a more cost-effective solution available to you.

I've shipped hundreds of times and never had a loss. Why would I want to insure?

That is a wonderful position to be in, but the more you ship, the more the law of averages works against you. Current risk management estimates calculate that nearly 30 percent of losses are unavoidable. Having the right insurance on your cargo manages that risk in the most cost effective way. If you ship by ocean, then you also need to consider that you can bear the cost of someone else's loss through.

What are the chances that anything will happen to my goods?

Current estimates say that nearly 30 percent of losses are unavoidable. While your shipments are safe the majority of times, you may want to consider what even one loss will cost you. Consider the time it takes to make a liability claim, prove that the carrier is responsible, replace the loss, and get the product to your client, loss of business or market due to delays, loss of good will, legal fees and so on — and compare that to the cost of an all-risk cargo insurance policy that can be put in place before your cargo ever leaves.

ADDITIONAL PRODUCTS

Beyond cargo insurance, Marsh offers additional lines of transportation insurance for Freight Forwarders (NVOCC), Third Party Logistics Providers (3PL's), Common Carriers (Ocean and Truck) and Load Brokers. Please visit www.cargocover.com for more information.

Getting Started with CargoCover™

Learn more about this innovative digital cargo insurance solution. Simply visit www.cargocover.com or speak directly with a Marsh Specialty CargoCover team member: +1 877 755 4934 or email us at cargocover@marsh.com to register.

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