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# Marine Cargo Insurance

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## Salient Features

AN OVERVIEW OF RISKS TO WHICH THE CARGO IS EXPOSED DURING TRANSPORTATION

- Standard risks of transport
- Exceptional risks of transport (war, strike or similar)

## Scope of Cover

When these risks occur, they may result in either total loss or partial losses. Partial losses can be of two types viz. : -

1. Particular Average - The term Particular Average refers to physical damage and loss as well as to any loss in weight or quantity suffered by the insured goods during transit.

2. GENERAL AVERAGE - General Average is a risk specific to marine transport. Therefore, if a vessel is in danger and the only way to prevent the vessel from striking is to throw one persons cargo overboard, then the rest of the cargo owners and the vessel owner will make up the loss to that person in proportion to the value of their goods in relation to the total amount saved.

3. RISKS OF WAR, STRIKE, ETC.

## Extent of Cover Provided

The main coverage provided to cargo in the Indian market are as per the Institute Cargo clauses A B & C. These covers are international in nature.

## Duration of Cover

1. The risk attaches from the time the goods leave the warehouse or place of storage at the place named in the policy for commencement of transit and continues during ordinary course of transit.

   The first possibility of termination is upon delivery to the consignees or other final place of storage. The Policy also terminates at any intermediate point if the goods come into the control of the assured for storage other than in ordinary course of transit, for allocation or for re-distribution. A time limit of 60 days is provided to allow completion the final leg of the transit after discharge from overside the overseas vessel at the final port of discharge.

## Summary of the covers provided by the Institute Clauses

Institute Cargo Clauses C. This provides the most restricted coverage and subject to the listed exclusions (which we shall examine later) covers loss or damage to the subject matter insured reasonably attributable to

i. Fire or Explosion

ii. Standing, Grounding, Sinking or Capsizing

iii. Overturning or Derailment

iv. Collision or contact of vessel craft or conveyance with any external objects other than water.

v. Discharge of cargo at point of distress.

The insurance also covers loss or damage to the subject matter insured caused by

vi. General Average

vii. Jettison

To sum up, the C clauses provide major casualty coverage during the land or sea transit and tend to be used for cargoes that are not easily damaged e.g. scrap steel, coal etc.

ICC B this is the next step up which includes all cover under C and also loss of or damage to the subject matter insured reasonably attributable to :

i. Earthquake, volcanic eruption or lightning and

ii. water damage by entry of sea/river water ( excluding rainwater)

iii. total loss of package lost overboard

iv. total loss of package dropped during loading and unloading.

These are significant additional coverages. Wet damage from sea, lake or river water and accidents in loading and discharge are covered, but there is no coverage for theft, shortage and non-delivery.

ICC A is the next option. This option is the widest of all three and is generally summed up as All Risks of loss or damage to the subject matter insured This words All Risks have been the subject of careful examination in legal cases over the years and should be understood, in the context of the A Clause to cover fortuitous loss but not loss that occurs inevitably.

Cover includes everything under both B & C and also

- Breakage
- ˜Scratching, Chipping, Denting & Bruising
- ˜Theft
- ˜Malicious Damage
- ˜Non Delivery
- ˜All water damage including rain damage.

**Exclusions**

The Institute Cargo Clauses incorporates a set of exclusions under Clause4,5 and 6 clauses that should be highlighted at this point.

**Principle Exclusions**

1. Wilful misconduct of the Assured Even if the loss I proximately caused y an insured peril it is excluded if it is attributable to the willful misconduct(deliberate damage) of the Assured.
2. Ordinary leakage, ordinary loss in weight or volume or ordinary wear and tear Examples of losses excluded within this category would include evaporation, natural shrinkage.
3. Inadequate sufficiency or unsuitability of packing or preparation of packing of the subject matter insured it is the duty of the insured it act as if uninsured. Clearly if goods are sent insufficiently packed to withstand the normal handling anticipated during transit, then any loss that arises therefrom should not be for insurers to pay.
4. Inherent vice or nature of the subject matter insured Examples of excluded loss would include blowing of tins containing foodstuffs or spontaneous combustion of a cargo liable to self heating.

5. Delay The insurer is not responsible for any loss, damage or expense proximately caused by delay although the delay can be caused by a peril insured against. Losses through delay could include loss of market or deterioration in respect of perishable goods which would not be recoverable even if the cause of the delay was peril insured such as a collision.
6. Insolvency or financial default of Carriers- This exclusion clause was introduced to discourage Assureds from shipping their goods on vessels whose owners, managers, charterers or operators might be in financial distress. In practice the clause would exclude all types of claims for recovery and forwarding of goods arising from the abandonment of an insured voyage where the proximate cause was the financial distress of one of the aforementioned parties.
7. Unseaworthiness and Unfitness exclusion This only applies where the assured or their agents are privy to this information prior to loading.
8. War and Strikes, Riots and Civil Commotions These risks are excluded under A, B and C clauses but can be written back into the policy.

## War Risks

Coverage provided by war risks clauses do not operate during the entire course of transit. Marine underwriters only offer cover for war risks whilst waterborne  or airborne, for which they charge a relatively small premium.

There is no war risk covers for any of the goods up to the time they are loaded onto the ship and the cover terminates immediately after the goods discharged at the destination port. A relaxation of the water borne only coverage is allowed immediately after the goods are discharged at the destination port. A relaxation of the water borne only coverage is allowed whilst the goods are being transshipped at an intermediate port but this is subject to restrictions both in location and time. Whilst the goods are being transshipped at an intermediate port but this is subject to restrictions both in location and time.

## Strike Risks

Unlike War risk cover, coverage for STRIKES risks continues throughout the transit. Cover is limited to PHYSICAL LOSS or DAMAGE to the cargo caused by STRIKES, LOCKED OUT WORKMEN, PERSONS TAKING PART IN LOCAL DISTURBANCES, RIOTS and CIVIL COMMOTIONS, TERRORISTS or any PERSON acting from a POLITICAL MOTIVE.

## Pure Inland Transit Clauses

Insurance of goods carried by Rail, Road, Inland waterways are covered as per coverage granted under Inland Transit(Rail/Road) clauses A, B, Inland Transit (Inland Vessels Clauses). B Clauses are restrictive in nature while A Clauses provide All Risks subject to certain exclusions.

One of the important differences between the Institute Cargo Clauses and the Inland Transit Clauses is the Duration Clause. Whereas in the former set of clauses, the duration of cover is limited to 60 days from the date of discharge of goods, under the latter set of clauses, the time limit is 7 days from the date of arrival at the station.

Transit by Air will be governed by Insittute Cargo Clauses (Air).

## Various Need

1. Special Declaration Policy - This is basically an open policy of 12 months duration and such policies are issued to Concerns having estimated annual turnover of Rs. 2 Crores or above. All transits upto the sum insurd are covered without any exception and total value of goods in transit are required to be declared at least once in a quarter in the form of a certified statement.

Final premium is adjusted(downward only) on the basis of actual annual turnover of goods covered. Mid-term increase in Sum Insured is also permissible twice during a year. Since the Insurer get a sizable premium at the inception, they grant cash discount(called turnover discount) ranging from 20% to 50% on the premium.

2. Multi-transit/Stock throughout policies - A Marine Policy terminates if during the transit the goods come into the control of the assured for storage other than in ordinary course of transit, allocation or re-distribution. Subsequent transits are considered separate. Multi-transit policies ensure continuous cover even in case of such exigencies. Irrespective of the number of transit the cover stays operative. Storage periods which may or may not include some processing can also be covered.

3. Package policy for plantation owners (Tea, Coffee, Rubber, Cardamom) - Cover commences from the collection point of green/raw/plucked plantation, continues during storge and various stages of processing in the factory, subsequent transit to anywhere in the world including further storage at intermediate and final destination godowns and terminateson delivery to the final customer.

4. Package policy for exporters - Exporters having DEEC certificates under DES can have this package policy which covers import of raw materials from overseas, storage, processing and export to overseas customers.

5. Duty Insurance Policy - Importers may take out insurance policy to cover the additional value of goods resulting due to payment of customs duty.

6. Sellers Contingency Policy - In almost all exports where credit is allowed by the seller to the buyer and the goods are not exported on CIF basis, responsibility for the goods passes to the buyer when the goods are loaded on to the overseas vessel but ownership does not change until the buyer accepts the goods and relative documents. Thus if the seller is allowing credit to the buyer and has shipped goods on FOB terms (where responsibility)