



# Overcoming Cover Objections

## Cargo Insurance

Cargo insurance is possibly the only class where clients routinely tell brokers that they don't need their own cover.

The alternatives most commonly cited are:

- “our supplier insures the goods that we buy from them”
- “the freight forwarder arranges cover for us”
- “carriers should pay for goods that they lose or damage”

This leaflet explains how these choices could leave clients exposed, and that the best course of action for importers and exporters is to always arrange their own cover.

## Additional Benefits

As well as the direct benefits explained on the following pages, a range of extensions allows cargo policyholders to tailor their own cargo policy to also cover:

- **domestic** sales and purchases
- **non-sales movements** between their own premises, at home or abroad
- **storage** after arrival, before final delivery, at home or abroad
- **exhibitions** or **demonstrations**, at home or abroad
- **engineers' tools** and **representatives' samples**, at home or abroad

## A Note About Terms of Sale

Discussions about cargo insurance requirements often touch on terms of sale.

Sales contracts generally incorporate the internationally-recognised terms of sale known as the **Incoterms® Rules**, which specify:

- various obligations of the seller and the buyer,
- how the various costs relating to the shipment are to be shared between the parties, and
- when risk in the goods passes from the seller to the buyer.

The last point is the most relevant to insurance, because under two of the terms – CIP and CIF – insurance has to be arranged by the seller for the buyer's benefit during the main carriage.

**For more information about the Incoterms® Rules, brokers can contact their local NMU cargo specialist or download our useful guide.**

NMU provides a range of innovative insurance solutions backed up by award winning service

### Why NMU

At the heart of our business are competitiveness, service, attention to detail, innovation, flexibility and the fair treatment of customers

### Local Service

We have the widest geographical spread of expertise of any specialist insurer in the UK

### Products & Services

Our NMU branches underwrite:

- Cargo
- Freight Liabilities
- Marine Trade
- Engineering
- Marine Equipment
- Terrorism
- Motorsport

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# Don't rely on suppliers

## Import

Those who buy on CIP or CIF terms rely on insurance arranged by their suppliers, potentially leaving them uncertain about:

- the level of cover,
- the financial stability of the insurer,
- the claims service they will receive,
- the cost of the cover,
- the duration of the cover, or
- whether the cover even exists.

These questions aim to highlight some of the potential problems and to demonstrate the benefits of buyers arranging their own cover.

### Case Study

An importer of white goods from China asked their supplier for a breakdown of the "CIF" price, and found that the hidden cost of insurance was GBP 60,000 per annum.

By arranging the insurance themselves, they secured wider policy coverage, yet were able to make a premium saving of GBP 40,000.

**How confident are you that the supplier has arranged cover on an "all risks" basis?**

If you are buying on CIP or CIF terms, the seller's obligation is only to arrange a minimum level of cover, equivalent to the named major perils cover of the Institute Cargo Clauses (C).

**How confident are you that the supplier has arranged cover that fully protects your business interests?**

NMU cargo insurance offers valuable protection for policyholders, above and beyond the basic "all risks" cover, for example:

- Additional costs and expenses
- Concealed damage
- Seals intact

**How confident are you that the insurance arranged by the supplier is backed by reliable security?**

NMU cargo insurance is backed by A-rated Lloyd's security.

**How confident are you that the supplier has arranged the insurance on a warehouse-to-warehouse basis?**

If you are buying on CIP or CIF terms, the insurance arranged by the seller is only required to follow the duration of the carriage arranged by them, and so may terminate before arrival at your premises, possibly leaving you uninsured for the final road leg.

In particular, if the main carriage is by sea, then under strict CIF terms, insurance cover will cease on arrival at the UK port of entry.

**How confident are you that the insurance arranged by the seller delivers value for money?**

The total annual cost of insurance forming part of suppliers' invoices may be more than you realise.

You may find that you can make substantial annual savings by asking suppliers to quote on CPT or CFR terms, rather than CIP or CIF.

**How confident are you that the supplier's insurer has a local agent in the UK, to help you in the event of a claim?**

If your broker arranges cargo insurance for you, then they can also assist you during the claims process.

**How confident are you that, in the event of a claim, the supplier's insurer would view you as their customer – someone to be helped?**

NMU's award-winning reputation is built on its claims service.

# Don't rely on forwarders

## Import/Export

Those who rely on insurance arranged by freight forwarders may not be certain about:

- the level of cover,
- the financial stability of the insurer,
- the claims service they will receive, or
- the true cost of the cover.

These questions aim to highlight some of the potential problems and to demonstrate the benefits of buyers and sellers arranging their own cover.

<b>How confident are you that the forwarder has arranged cover that fully protects your business interests?</b>	NMU cargo insurance offers valuable protection for policyholders, above and beyond the basic "all risks" cover, for example: <ul style="list-style-type: none"><li>• Additional costs and expenses</li><li>• Concealed damage</li><li>• Seals intact</li></ul>
<b>How confident are you that the insurance arranged by the forwarder is backed by reliable security?</b>	NMU cargo insurance is backed by A-rated Lloyd's security.
<b>Imports: How confident are you that you will be looked after in the event of a claim?</b>	If your broker arranges cargo insurance for you, then they can also assist you during the claims process.
<b>Exports: How confident are you that the forwarder's insurer has a local agent in the country of destination, to whom your customer can present their claim?</b>	Lloyd's has a worldwide network of local agents.
<b>How confident are you that, in the event of a claim, the forwarder's insurer would view you or your customer as their customer – someone to be helped?</b>	NMU's reputation is built on its claims service.
<b>How confident are you that the insurance arranged by the forwarder delivers value for money.</b>	The rates charged by insurers to freight forwarders are determined by the claims experience of all forwarders other customers – not just yours – and "distressed" business is often placed via forwarders' policies, pushing rates up even further.  Freight Forwarders often apply an administration charge to the premium payable to the insurer, further increasing the cost to the goods owner.

# Don't rely on conditions of carriage

## Import/Export

Those who rely on carriers' trading conditions may not realise just how restrictive those conditions can be in terms of:

- the circumstances in which the carrier has to pay for loss or damage, and
- how little the carrier might actually pay in compensation.

These questions aim to highlight some of the potential problems and to demonstrate the benefits of buyers and sellers arranging insurance cover.

### Typical Limitation Figures

#### UK road haulage – RHA conditions

GBP 1.30 per kg

#### Irish road haulage – IRHA conditions

EUR 1.80 per kg

#### International road haulage – CMR

SDR 8.33 (GBP 8.80/EUR 10.03\*) per kg

#### Freight forwarding – BIFA conditions

SDR 2.00 (GBP 2.11/EUR 2.41\*) per kg

#### Carriage by air – Warsaw Convention

USD 20.00 (GBP 14.90/EUR 17.00\*) per kg

#### Carriage by sea – Hague-Visby Rules

SDR 2.00 (GBP 2.11/EUR 2.41\*) per kg

\* approx. at June '18 - fluctuates based on exchange rates

**Did you know that if the carrier isn't directly responsible for the loss of or damage to your goods, he might not have to pay for that loss or damage?**

Trading conditions and international conventions on the carriage of goods by sea, road, rail or air typically give carriers defences where loss or damage is due to, for example:

- Act of God
- War
- Strikes, riots and civil commotions
- Terrorism
- Circumstances beyond their control

**And, did you know that, even if the carrier does have a liability, the legal position or their trading conditions may allow them to limit the amount that they pay in compensation to a fairly modest monetary amount?**

In the UK, hauliers typically limit their liability to GBP 1.30 per kilogram of goods lost or damaged; EUR 1.80 in Ireland. For international carriage by road, the figure is about GBP 9.00 per kilo.

For many goods, this will represent only a small fraction of their value – for example a laptop computer only weighs about three kilos.

**Do you realise that the carrier with whom you contract may not be the one who actually carries the goods, and so your claim could be against a party that does not view you as their customer?**

You will always know and have a relationship with your own cargo insurer.

**Similarly, have you considered that the carrier's liability insurers will not treat you in the same way that your own insurers would, and will be looking to minimise the amount that they have to pay to you?**

We are proud of our commercially minded relationship with our customers.

**Moreover, have you thought about what you would do if the carrier was not insured or if his action or inaction in causing your loss or damage meant that he was uninsured because he was in breach of a policy condition or warranty?**

Pursuing a carrier through the courts for a small sum will be disproportionately time-consuming and costly.

If a carrier doesn't have the assets to meet your claim – particularly a large one – then you will be left high and dry.

**For more information, please speak to your local NMU Development Underwriter**