nmu

Taking Control of Risk, Cover and Cost

Cargo Insurance

The responsibility for arranging marine cargo insurance is largely dependent on the terms of the underlying sale/purchase contract between the seller of the goods and the buyer.

Most international sales are based on the Incoterms® rules, published by the International Chamber of Commerce. The principal advantage of using the Incoterms® rules in international trade is that they are known and accepted worldwide.

The most recent edition of the Incoterms® rules was published in 2010, and like previous versions, describes the roles and responsibilities of the seller and the buyer during the transportation of the goods. In particular, the rules determine the point at which risk in the goods passes from the seller to the buyer.

This advice sheet highlights some of the factors that buyers and sellers should consider when making choices about their cargo insurance arrangements.

Don't Rely on the Supplier

Buyers should carefully check the terms on which imports are purchased and ensure that, where possible, these terms allow them to take control of the transit insurance. For example, if currently purchasing goods on CIP or CIF terms, buyers should consider the benefits of amending the terms of purchase to CPT or CFR terms.

If responsibility to insure imported goods is left with overseas suppliers, it is possible that the cargo insurance may:	On the other hand, by taking control of their own cargo insurance needs and arranging a policy with NMU, buyers will benefit from:
Only cover goods on restricted terms and conditions, over which the buyer has no control.	Knowing that their cover is comprehensive and tailor-made.
Not be able to pay claims, if backed by unreliable security.	Having the backing of a financially-secure insurer.
Cease on arrival at the UK port or airport, rather than the final destination.	Obtaining cover on a warehouse-to-warehouse basis.
Require claims to be dealt with by a foreign insurer or their agent, who may not view the buyer as a customer to be helped.	Paying competitive premiums, and being able to budget accordingly.
Perhaps, not even exist.	Dealing with a UK-based claims department.

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Don't Rely on the Carrier

Many businesses that buy and sell goods assume that carriers will make good any loss or damage in full. This is rarely the case as a carrier's liability will be limited either at law or under their trading conditions. These limitations restrict the amount carriers may pay and they may be able to avoid liability altogether.

When using carriers always bear in mind their conditions of carriage or the regimes governing international transit:	**The benefits of buyers and sellers arranging their own insurance cover with NMU are:**
Protect the carrier's liability, not the goods themselves.	The goods are insured on market standard 'all risks' conditions.
Limit the carrier's liability by weight rather than value – any recoverable loss could be settled for as little as GBP 1.30 per kilo.	Cover is based on an agreed value basis.
Assume liability for loss or damage only whilst goods are in the carrier's custody.	Cover will include the period during loading, unloading and temporary storage during the transit.
Exclude liability for circumstances beyond the control of the carrier.	Paying competitive premiums, and being able to budget accordingly.
Would not cover any general average or salvage contributions, which could be substantial.	Cover will include carriage in own vehicles as well as by carriers.
The carrier will not provide general average guarantees and the goods owner can be left very much on their own.	Dealing with a UK-based claims department who will provide you with a prompt and efficient claims management service throughout the process.

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 (GBP2.11/EUR 2.41*) per kg

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

Example Defences

UK road haulage – RHA conditions
Act of God; war; riot; civil commotion

International road haulage – CMR and Freight forwarding – BIFA conditions
Circumstances beyond the carrier's control and the consequences of which they could not prevent

Is Stock Throughput an Option?

Once manufactured goods arrive, they either go direct to the end customer or into a storage warehouse before onward distribution.

Marine stock throughput insurance can provide cover for the import, warehousing and any subsequent distribution under one policy document.

For an importer, a stock throughput policy can offer:

- Insurance coverage for the import, the transit from the port to storage premises, whilst there, and the subsequent delivery transit to the final customer
- Cost benefits, by having one policy instead of three
- A reduction in administrative costs
- Coverage at own or third party storage premises

In short, a stock throughput policy offers control of costs, control of cover and control of risk.

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