



AMERICAN INTERNATIONAL FREIGHT  
FORWARDER'S INTRODUCTORY GUIDE TO

# Marine Cargo Insurance



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# **American International Freight Forwarder's Introductory Guide to Marine Cargo Insurance**

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# CHAPTER ONE:

WELCOME TO THE WORLD OF  
MARINE CARGO INSURANCE!



## ■ Introduction

From the very moment your customer's overseas bound cargo leaves their warehouse, it is at risk.

Depending on the type of commodity or merchandise your customers are shipping overseas, their cargo can be subject to over 20 types of transit loss or damage ranging from partial losses such as pilferage, rough handling or water damage, on the one hand, to total loss arising from a major casualty such as a fire or a vessel sinking or grounding, a truck overturning or a derailment, on the other.

With all these transit risks in mind, your customer's cargo is an investment well worth protecting. Before your customer's cargo even leaves its premises, your customer may have already expended thousands, hundreds of thousands or even, in some cases, millions of dollars in product research, manufacture, testing, marketing, quality control, packing protection and freight costs.

The cost of securing proper marine insurance protection is only a fraction of the overall cost of the finished product delivered to the consignee's door overseas. Yet having transit protection in place is an important investment, one that plays a pivotal role within the international trade cycle. In effect, marine insurance in general is inextricably linked to international trade and, therefore, should be an integral part of your customer's own trading cycle.

The whole concept behind insurance in general is to transfer risk and there can be no other area of insurance where the seeking of protection through a marine cargo insurance policy is so vital. Moving cargo overseas brings about risks that are often extremely unpredictable and completely outside the control of the exporter or importer. Fundamentally, why should a cargo owner absorb the risk of an entire gauntlet of potential losses ranging from the minute to the catastrophic when at such little cost, insurance protection is readily available?

Just as it is important to have marine insurance in place to protect your customer's cargo during the various stages of its journey overseas, so too one must ensure that the policy you are about to purchase offers both proper and adequate protection to your customers.

The purpose of this publication, therefore, is to offer you, the American international freight forwarder, some important guidelines on how marine cargo insurance works, how it is meant to protect you and how it is meant to protect your customer's cargo. You will be offered tools and resources to help you gain important insights and understanding of this area of insurance, one of the many keys to success in international trade. You will also be provided with responses to address

common areas of resistance to purchasing cargo insurance that are often raised by your importer and exporter customers.

Having established that cargo insurance protection is necessary for all cargo owners, this publication will then proceed with an explanation of the various types of cover available in the marketplace, ranging from "named perils" to "all perils", more often referred to as "all risks", along with a discussion on common open cargo policy clauses. You will also be introduced to little known policy extensions or additional grants of coverage that may be available from insurers. Such extensions may offer your customer's business additional protection when things go wrong during the course of an international sale or transaction, particularly in situations where, for example, your customer's buyer overseas fails to meet its contractual obligations following a claim.

The publication will explain what is and what is not normally covered under a marine open insurance policy. It will provide important tips and guidelines that you, the forwarder should look for in arranging transit insurance on behalf of your customers. It will also discuss the pitfalls that are to be avoided particularly those that will leave your customer uninsured, inadequately insured or overexposed for certain types of risks. Furthermore, guidance will be offered on how to avoid insuring conditions that may be too onerous on your customer's business.

This publication will also introduce you to the claims handling, survey and adjusting process. Again, we will offer guidelines and tips to assist you and your customer in expediting the claim and avoiding pitfalls that may delay or even impede an early settlement. Finally, we will guide you through the lesser known areas of transportation risks such as the very old principle of General Average, the procedures to be followed to secure release of the cargo and how, having marine cargo insurance protection in place, provides relief to your customer from such eventualities. For a more detailed analysis of the claims handling and adjusting process, please refer to the American Freight Forwarder's Guide to Marine Cargo Claims, also available as an ebook.

Lastly, you will note from the introductory pages of this publication, I have included some frequently asked questions. I trust these will help you find what you are looking for.