



AMERICAN INSURANCE
BROKER'S INTRODUCTORY GUIDE TO
**Marine Cargo
Insurance**



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American Insurance Broker'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 client's overseas bound cargo leaves their warehouse, it is at risk.

Depending on the type of commodity or merchandise your clients 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, a truck overturn or a derailment, on the other.

With all these transit risks in mind, this is an investment well worth protecting. Before your client's cargo even leaves its premises, it will 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 its customer'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 client'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 client's cargo during the various stages of its journey overseas, so too one must ensure that the policy your client is about to purchase offers both proper and adequate protection.

The purpose of this publication, therefore, is to offer you, the American broker or agent, as an insurance professional, some tools and resources that will help you assist your client in securing cargo insurance protection that properly meets its business needs. You will also be provided with responses to address common areas of resistance to purchasing a cargo policy that are often raised

by insurance clients. Having established that cargo insurance protection is necessary for all importers and exporters, this publication will then proceed with an explanation of the various types of cover available in the marketplace, ranging from “named perils” to “all risks”, along with a discussion on common 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 client’s business additional protection when things go wrong during the course of an international sale or transaction, particularly in situations where, for example, your client’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 insurance policy. It will provide important tips and guidelines that you, the broker should look for in arranging transit insurance on behalf of your client. It will also discuss the pitfalls that are to be avoided particularly those that will leave your client 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 client’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 client 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 a marine cargo policy in place, provides relief to your client from such eventualities. For a more detailed analysis of the claims handling and adjusting process, please to the American Insurance Broker’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.