



== CANADIAN INSURANCE BROKER'S ==

# Introductory Guide *to* Marine Cargo Insurance



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CANADIAN INSURANCE BROKER'S  
INTRODUCTORY GUIDE TO  
MARINE CARGO INSURANCE

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## Table of Contents

About the Author.....	5
FAQs.....	6
<b>Chapter One: Welcome to the World of Marine Cargo Insurance!.....</b>	<b>12</b>
Introduction.....	12
Little History.....	15
Canadian Marine Insurance Act 1993 .....	15
<i>Insurable interest</i> .....	17
<i>Warranties</i> .....	19
What is Marine Cargo Insurance? .....	20
My Clients Say That They Do Not Need Cargo Insurance. Resistance To Purchasing A Marine Cargo Policy!.....	21
When Does Your Client Have To Insure Their Cargo?.....	26
<b>Chapter Two: The Steps towards Putting my Client's Marine Cargo Policy in Place.....</b>	<b>28</b>
Arranging Insurance For The Movement Of My Client's Cargo.....	28
Advantages of an Open Cargo Policy .....	29
How Are Shipments Reported Under An Open Cargo Policy?.....	29
<i>Annual Reporting</i> .....	29
<i>Monthly Reporting</i> .....	30
The Application Stage: How to Secure an Open Cargo Policy .....	31
Introduction What Insurers Need To Know About Your Client's Business.....	31
Receiving A Quotation From Insurers For The Marine Open Cargo Policy.....	32
Acceptance Of The Insurers' Quotation. Further Due Diligence!.....	33

**Chapter Three: How Does The Marine Open Cargo Policy Work And What Does It Cover? .....35**

    What Does The Open Cargo Policy Look Like? ..... 35

**Chapter Four: Declaration Page .....36**

    Main Provisions Of The Declaration Page..... 36

**Chapter Five: Policy General Terms and Conditions .....37**

    Specific Clauses Explained!..... 37

*Goods Insured Clause*..... 38

*Basis of Valuation* ..... 39

*Voyage Clause* ..... 39

*Limits of Liability Clause* ..... 40

*Schedule of Rates*..... 43

*Reporting of Shipments Clause*..... 43

*Certificates of Insurance* ..... 45

*Institute Classification Clause*..... 46

*Sanction and Limitation Clause* ..... 46

*Insurable Interest Clause* ..... 46

*Second Hand Machinery Replacement Clause* ..... 47

*Labels Clause* ..... 47

*Cuttings Clause*..... 48

*Fumigation Clause*..... 48

*Packing / Consolidation Clause*..... 48

*Container / Optional Bills of Lading Clause*..... 48

*Brands Clause*..... 49

*General Average and Salvage Charges* ..... 49

*Airfreight Replacement Clause*..... 49

*Subrogation Rights* ..... 49

*Delayed Opening / Concealed Loss Clause*..... 49

*Seller's or Buyer's Interest Contingency Clause*..... 49

*Reporting of Shipments: Errors and Omissions Clause* ..... 50

Other Terms And Conditions That May Apply To The Insurance On Cargo ..... 50

*Warranties*..... 51

**Chapter Six: Institute Cargo Clauses ..... 52**

Institute Cargo Clauses Explained! ..... 52

A List of Commonly Used London Market Institute Cargo Clauses ..... 53

*Institute Cargo Clauses A (1982)*..... 55

*Institute Cargo Clauses A (2009)*..... 57

*Institute Cargo Clauses B (1982 and 2009)* ..... 58

*Institute Cargo Clauses C (1982 and 2009)*..... 58

*Comparison of covers between A, B and C Clauses* ..... 59

*Institute Cargo Clauses A (Air)*..... 60

*Frozen Food Extension Clauses*..... 60

*Institute Frozen Food Clauses (A) (Excluding Frozen Meat) 1/1/86*..... 60

*Institute Frozen Food Clauses C*..... 62

*Institute War Clauses (Cargo) 1/1/2009* ..... 63

*Institute Strikes Clauses*..... 63

*Institute Timber Trade Federation Clauses (1986)* ..... 63

*American Institute Cargo Clauses 2004 All Risks* ..... 64

Be Diligent! ..... 64

<b>Chapter Seven: Claims .....</b>	<b>66</b>
The Difference Between A General Average Loss And A Particular Average Loss.....	66
What Are My Duties As An Insured In The Event Of A Claim For Particular Average?.....	67
Documents Required for Filing a Claim.....	68
<i>Essential Documents</i> .....	68
<i>Other Documents</i> .....	68
Survey.....	68
Example of a Particular Average Claim.....	69
<i>Who pays the survey fee?</i> .....	70
What is General Average?.....	70
<i>Documents Required: General Average – release of cargo</i> .....	71
<i>Example of General Average</i> .....	71

# CHAPTER ONE

## WELCOME TO THE WORLD OF MARINE CARGO INSURANCE!

### Introduction

**F**rom the very moment your client's overseas bound cargo leaves your warehouse, it is at risk.

Depending on the type of commodity or merchandise your client is 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 his premises, he 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 his 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 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 he is about to purchase offers both proper and adequate protection.

The purpose of this publication, therefore, is to offer you, the broker, as an insurance professional, a powerhouse of tools and resources that will help you assist your client in securing cargo insurance protection that properly meets their business needs. You will also be provided with responses to address common areas of resistance to purchasing a cargo policy. The publication will offer an explanation of the types of cover available in the marketplace, ranging from "named perils" to "all risks". You will also be introduced to little known policy extensions or additional coverages 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.

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.

