Incoterms and Cargo Insurance: Their Trends and Changes

Michael Baker
Professor
University of California
INCOTERMS 2010

UCLA
By Michael A Baker
Purpose:

Selling your product overseas? The potential buyer writes, “Price $5.00 CFR Osaka, Incoterms 2010.” What does that mean? You don’t know, but you want to sell and you agree to the terms. You ship, but before you bring your documents to the bank to get paid you hear that the vessel has hit the rocks outside Los Angeles harbor and has sunk. Who’s risk is it, buyer or seller? Will you get paid? Guess it’s time to learn what the Incoterms mean.
WHAT ARE INCOTERMS?

- Shipping terms which allocate the risk of loss
- Short for ‘International Commercial terms’
- They do not transfer title
- Seventy-five years ago Incoterms came about to facilitate international trade by eliminating uncertainties and differences in interpretation.
- They have been revised six times to reflect international trade developments with the latest, INCOTERMS 2010, taking effect on January 1, 2011.
HOW AND WHEN ARE THEY APPLIED?

- Incoterms are applied when the parties put them into a contract.
- They are not laws themselves but are internationally recognized.
- They become legally binding when the parties insert the Incoterms into the contract and incorporate them by reference.
- Become legally enforceable terms which will be upheld by a court of law as courts.
- While Incoterms do not determine ownership they do allocate the risk with respect to delivery of goods sold.
INTENT OF INCOTERMS 2010

- Primarily intended for use where goods are sold for delivery across national boundaries
- Can be used for domestic sale of goods

- Five INCO 2000 terms became obsolete and were replaced with two new ones:
  - **DAT (Delivered at Terminal)** Terminal Handling Charges – making it clearer
  - **DAP (Delivered at Place)**, (REPLACES DDU/DAF/DES)

- The terms that have disappeared from INCO 2010 are:
  - **DAF** – Delivered At Frontier (named place)
  - **DES** – Delivered Ex Ship (named port)
  - **DDU** – Delivered Duty Unpaid (named destination place)
  - **DEQ** – Delivered Ex Quay (named port)
1. Incoterms do not deal with the contract for carriage.

2. **Incoterms do not identify where the transfer of ownership or title occur.** That issue should be included in the contract. Beware of other party including it in a purchase order, proforma invoice, quote, or commercial invoice.

3. Incoterms reflect rather than dictate trade practices.

4. Marine (cargo) insurance is mandated only in the CIF and CIP terms. *(However, practically speaking one party must always get marine insurance)*

5. Incoterms are not all inclusive

**Try not to modify INCOTERMS**
NOTE: INCORPORATION OF INCO TERMS INTO A CONTRACT REQUIRES SPECIFIC REFERENCE OF ‘INCOTERMS 2010’ IN THE CONTRACT.

i.e. “CIF Tokyo, INCO 2010 Terms.”

INCOTERMS work only if the parties name a place or port, as precisely as possible. An INCOTERM without a place or port does not work.
EXW L.A. Warehouse INCOTERMS 2010
EXW (EX WORKS)

- **EXWORKS EXW L.A. Warehouse INCOTERMS 2010**
- Seller fulfills his duty when he places the goods at the disposal of the Buyer (or his agent) at the Seller’s premises or at a named place (i.e. works. Factory, warehouse, etc.). Buyer bears all costs and risks from then on.
  - Seller not responsible to load
  - Minimum obligation for Seller – all risks and costs for buyer
  - **Used for any mode of transportation**
  - Buyer determines mode of transportation
  - Buyer books transportation
EXW L.A. Warehouse INCOTERMS 2010
FCA L.A. Warehouse INCOTERMS 2010
FCA (FREE CARRIER)

- FCA _________ (FREE CARRIER)
- Seller fulfills his duty when delivers the goods to the Buyer’s designated carrier whether at the place of sale or at the dock.
  - Seller is responsible to clear the goods for export.
  - License and customs formalities (unless you exclude).
  - Could be delivered to carrier at his plant or at the port.
  - Buyer books and provides transportation past the delivery point.
  - Seller must load on the carrier (included in price).
  - Seller must give Buyer sufficient notice of delivery (or not)
- This is used for all modes of transportation.
- EXW L.A. Warehouse INCOTERMS 2010
- FCA L.A. Warehouse INCOTERMS 2010
- FCA L.A. Harbor INCOTERMS 2010
FCA (FREE CARRIER)

- Seller fulfills his duty when delivers the goods to the Buyer’s designated carrier whether at the place of sale or at the dock.
- Seller is responsible to clear the goods for export.
- License and customs formalities (unless you exclude).
- Could be delivered to carrier at his plant or at the port.
- Buyer books and provides transportation past the delivery point.
- Seller must load on the carrier (included in price).
- Seller must give Buyer sufficient notice of delivery (or not)

This is used for all modes of transportation
- EXW L.A. Warehouse INCOTERMS 2010
- FCA L.A. Warehouse INCOTERMS 2010
- FCA L.A. Harbor INCOTERMS 2010
- FAS L.A. Harbor INCOTERMS 2010
FAS (FREE ALONGSIDE SHIP)

- **FAS __________ ( FREE ALONGSIDE SHIP)**
- Seller fulfills his duty/obligation when the goods are placed alongside the vessel at the named port of shipment specified by the Buyer. The buyer is responsible for all costs and risk of loss/damage from that moment onward. The Seller is the one who clears it for export and pays terminal receiving and wharfage charges.
- When using containers, it is typical for the Seller to give the goods to the carrier at the terminal; and not alongside vessel.
- If so, “FCA carrier at terminal, Long Beach,” would be appropriate.
- Seller has no obligation to make a contract of carriage or Insurance
- Seller must give Buyer sufficient notice of delivery (or not)
- Seller is responsible to clear the goods for export.

**Used for Sea transport only**
- EXW L.A. Warehouse INCOTERMS 2010
- FCA L.A. Warehouse INCOTERMS 2010
- FCA L.A. Harbor INCOTERMS 2010
- FAS L.A. Harbor INCOTERMS 2010
- FOB Vessel L.A. Harbor INCOTERMS 2010
FOB (FREE ON BOARD)

- **FOB (PORT) FREE ON BOARD**
  - Seller fulfills his duty once the goods have been delivered on board the nominated vessel (at the port specified by the Buyer). The Buyer is responsible for all costs and risk of loss/damage from that moment onward.
  - It now means the goods have to be loaded ‘on board’ the vessel, rather than over the ships rail.
  - Seller required to clear the goods for export
    - Seller has no obligation to make a contract of carriage or Insurance
    - Seller must give Buyer sufficient notice of delivery (or not)
    - Seller clears the goods for export.
  - **Used for Sea transport only**
  - WARNING: FOB is used for inland carriage in common law countries (USA, UK, Australia, NZ, Canada).
- EXW L.A. Warehouse INCOTERMS 2010
- FCA L.A. Warehouse INCOTERMS 2010
- FCA L.A. Harbor INCOTERMS 2010
- FAS L.A. Harbor INCOTERMS 2010
- FOB Vessel L.A. Harbor INCOTERMS 2010
- CFR OSAKA INCOTERMS 2010
CFR (COST AND FREIGHT)

- **CFR_____ (PORT) COST AND FREIGHT**
  - Seller chooses the ocean carrier, pays costs and freight to bring the goods to the named port. (OLD C&F). The Seller fulfills his obligation to deliver when it hands the goods over to the carrier, pays to have the goods laden on board and pays the freight charges to the destination port. The parties should agree and name the point of destination as precisely as possible.
  - The risk of loss or damage is transferred from Seller to Buyer when the goods are laden on board in the port of shipment. The Seller is required to clear the goods for export.
  - There are two critical points. Because risk passes and costs are transferred at different places.
  - The contract always specifies a destination port but it might not specify a port of shipment (the letter of credit may serve this purpose).
  - Seller clears goods for export, pays the freight to port of destination but is NOT required to get marine insurance.
  - Seller must give Buyer sufficient notice of delivery (or not)

--Used for Sea transport only
EXW L.A. Warehouse INCOTERMS 2010
FCA L.A. Warehouse INCOTERMS 2010
FCA L.A. Harbor INCOTERMS 2010
FAS L.A. Harbor INCOTERMS 2010
FOB Vessel L.A. Harbor INCOTERMS 2010
CFR OSAKA INCOTERMS 2010
CPT OSAKA INCOTERMS 2010
CPT (CARRIAGE PAID TO)

- CPT (PORT) CARRIAGE PAID TO
  - Seller chooses the carrier, delivers the goods to said carrier and pays the costs and freight to bring the goods to the named destination port.
  - The risk of loss or damage to the goods occurring after the delivery has been made to the carrier is transferred from the Seller to the Buyer.
  - The parties should agree and name the point of destination as precisely as possible.
  - The risk of loss or damage is transferred from Seller to Buyer when the goods are ‘laden on board’ the named vehicle at the port of shipment and the Seller pays for the freight and costs for delivery to the named port of destination.
  - The Seller is required to clear the goods for export.
  - There are two critical points, as with CFR, because risk passes and costs are transferred at different places.
  - The contract always specifies a destination port but it might not specify a port of shipment (the letter of credit may serve this purpose).
  - Seller clears goods for export, pays the freight to port of destination but is NOT required to get marine insurance.
  - Seller must give Buyer sufficient notice of delivery (or not)
  - Used for all modes of transport
- EXW L.A. Warehouse INCOTERMS 2010
- FCA L.A. Warehouse INCOTERMS 2010
- FCA L.A. Harbor INCOTERMS 2010
- FAS L.A. Harbor INCOTERMS 2010
- FOB Vessel L.A. Harbor INCOTERMS 2010
- CFR OSAKA INCOTERMS 2010
- CPT OSAKA INCOTERMS 2010
- CIF OSAKA INCOTERMS 2010
CIF (COST INSURANCE AND FREIGHT)

- **CIF _________ (PORT) COST INSURANCE, FREIGHT**
  - Seller has same obligations as CFR and CPT but with addition of procuring marine insurance. Seller is only required to get minimal insurance unless stated specifically otherwise.
  - Seller chooses the ocean carrier, pays costs and freight to bring the goods to the named port. The Seller fulfills his obligation to deliver when it hands the goods over to the carrier and pays the freight charges to the destination port and purchases marine insurance. The parties should agree and name the point of destination as precisely as possible and name the type and quantity of marine insurance required.
  - The risk of loss or damage is transferred from Seller to Buyer when the goods are ‘laden on board’ the named vessel, Seller pays the freight for the shipment to the named port and procures marine insurance.
    - The contract always specifies a destination port but it might not specify a port of shipment (the letter of credit may serve this purpose, as well as to type of marine insurance and amount of marine insurance).
    - Seller clears goods for export, pays the freight to port of destination and is required to get marine insurance.
    - Seller must give Buyer sufficient notice of delivery (or not)
      --Used for Sea transport only
- EXW L.A. Warehouse INCOTERMS 2010
- FCA L.A. Warehouse INCOTERMS 2010
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- FOB Vessel L.A. Harbor INCOTERMS 2010
- CFR OSAKA INCOTERMS 2010
- CPT OSAKA INCOTERMS 2010
- CIF OSAKA INCOTERMS 2010
- CIP OSAKA INCOTERMS 2010
CIP (CARRIAGE, INSURANCE PAID TO)

- **CIP** (PORT) COST, INSURANCE PAID TO
  - Seller has same obligations as CPT but with addition of procuring cargo insurance.
  - Seller is only required to get minimal insurance unless stated specifically otherwise.

  - Seller chooses the carrier, pays costs and freight to bring the goods to the named port. The Seller fulfills his obligation to deliver when it hands the goods over to the carrier and pays the freight charges to the destination port and purchases cargo insurance. The parties should agree and name the point of destination as precisely as possible and name the type and quantity of cargo insurance required.
  - The risk of loss or damage is transferred from seller to buyer when the goods are ‘laden on board’ the named carrier. Seller pays the freight for the shipment to the named port and provides cargo insurance.
  - The contract always specifies a destination port but it might not specify a port of shipment (the letter of credit may serve this purpose, as well as to type of marine insurance and amount of marine insurance).
  - Seller clears goods for export, pays the freight to port of destination and is required to get cargo insurance.
  - Seller must give Buyer sufficient notice of delivery (or not)
    - Used for all modes of transport
- EXW L.A. Warehouse INCOTERMS 2010
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- CFR OSAKA INCOTERMS 2010
- CPT OSAKA INCOTERMS 2010
- CIF OSAKA INCOTERMS 2010
- CIP OSAKA INCOTERMS 2010
- DAP OSAKA INCOTERMS 2010
DAP (DELIVERED AT PLACE)

- **DAP** (named place) DELIVERED AT PLACE
- Delivered at Place ___________ merges the former less popular DAF, DES and DDU terms, which contained significant areas of overlap.
- DAP means that the Seller delivers when the goods are placed at the disposal of the Buyer on the arriving means of transport, ready for unloading by the buyer at the named place of destination. The Seller has to bear all the costs and risks involved in bringing the goods to the named place.
- DAP is intended to be used for both domestic and international sales and it is aimed to create a delivery term that can be used in domestic/intra EU trade without causing confusion.
- The arriving “vehicle” under DAP could be a ship and the named place of destination could be a port. Again, a Seller under DAP bears all the costs (other than any import clearance costs) and risks involved in bringing the goods to the named destination.
- -- The Parties are advised to specify as clearly as possible the point within the agreed place of destination, because risks transfer at this point from Seller to Buyer. Seller bears the responsibility and risks to deliver the goods to the named place.
  - Seller is advised to obtain contracts of carriage that match the contract of sale
  - Seller is required to clear the goods for export
  - If the seller incurs unloading costs at place of destination, unless previously agreed, they are not entitled to recover any such costs.
  - The Buyer is responsible for effecting customs clearance and paying any customs duties.
  - Insurance is not mentioned BUT Seller bears all risks of loss and/or damage until they have been delivered at ‘the place.’
- -- Used for all modes of transport
EXW L.A. Warehouse INCOTERMS 2010
FCA L.A. Warehouse INCOTERMS 2010
FCA L.A. Harbor INCOTERMS 2010
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FOB Vessel L.A. Harbor INCOTERMS 2010
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CPT OSAKA INCOTERMS 2010
CIF OSAKA INCOTERMS 2010
CIP OSAKA INCOTERMS 2010
DAP OSAKA INCOTERMS 2010
DAT OSAKA TERMINAL INCOTERMS 2010
DAT (Delivered at Terminal)

- "Delivered at Terminal" means that the seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the Buyer's disposal at a named terminal at the named port or place of destination. "Terminal" any place such as quay, warehouse, container yard or road, rail or air terminal. Both parties should agree on the terminal and if possible a point within the terminal at which point the risks will transfer from the Seller to the Buyer of the goods. If a specific terminal is not agreed upon the Seller may select the terminal at the agreed upon port.

- Seller bears all the risks involved in bringing the goods to and unloading them at the terminal at the named place or port of destination.
- DAT requires the Seller to clear the goods for export, where applicable, but the Seller has no obligation to clear the goods for importing, paying any import duty or carry out any import customs formalities.
- Seller must pay freight to destination and pay for unloading charges from the 'vehicle' to the terminal.
- There is no obligation for cargo insurance BUT Seller bears all risks of loss and/or damage until they have been delivered at 'the place.'
- Seller must unload the goods from the arriving means of transport and must then deliver them by placing them at the disposal of the Buyer.

-- Used for all modes of transport
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- FAS L.A. Harbor INCOTERMS 2010
- FOB Vessel L.A. Harbor INCOTERMS 2010
- CFR OSAKA INCOTERMS 2010
- CPT OSAKA INCOTERMS 2010
- CIF OSAKA INCOTERMS 2010
- CIP OSAKA INCOTERMS 2010
- DAP OSAKA INCOTERMS 2010
- DAT OSAKA INCOTERMS 2010
- DDP OSAKA INCOTERMS 2010
DDP (DELIVERED DUTY PAID)

- **DDP ________________________________________ (PORT) DELIVERED DUTY PAID**
- Seller delivers the goods when the goods are placed at the disposal of the Buyer, cleared for import on the arriving means of transport ready for unloading at the named place of destination. The Seller bears all costs, and risks, involved in bringing the goods to the place of destination and also has the obligation to clear the goods for import, to pay import duty, and customs clearance costs.
- This is the maximum obligation for the Seller under INCOTERMS.
- Seller pays freight charges to destination. Cargo insurance is not mentioned but Seller bears all risks of loss and/or damage until the goods have been delivered at the disposal of the Buyer.
- Seller pays for any costs of unloading at the place of destination that are prepaid on the carriage contract.
- Seller must give notice to the Buyer that goods are ready for delivery.
- Seller must provide the Buyer with a document enabling Buyer to take delivery.
- Seller pays all duties and taxes.
- What if it cannot clear customs??
- **-beware of VAT**
- Used for all modes of transport
THE 11 INCOTERMS 2010

- EXW L.A. Warehouse INCOTERMS 2010
- FCA L.A. Warehouse INCOTERMS 2010
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- CIP OSAKA INCOTERMS 2010
- DAP OSAKA INCOTERMS 2010
- DAT OSAKA INCOTERMS 2010
- DDP OSAKA INCOTERMS 2010
The problem with Incoterms for the uninformed is that people think Incoterms transfer title and responsibility and that it doesn’t really matter as long as there is marine insurance.

Do not confuse loss responsibility with insurance company reimbursement—only the owner of cargo may get reimbursed.
WHAT INCOTERMS ARE ALL ABOUT

- TRANSFER OF TITLE? NO
- MINIMIZING/ALLOCATING RISK? YES
- WHAT ARE WE REALLY SELLING?
- WE ARE SELLING DOCUMENTS!!
Lastly, to answer the opening question as to who owns the cargo—the Buyer does since the Seller has completed his obligations under CFR Osaka by placing the goods on board the ship and paying the freight charges to Osaka. Did you know it? You do now—and now you know why.
This chart indicates how the seller’s and buyer’s cost/risk responsibilities vary between Incoterms.

<table>
<thead>
<tr>
<th>SELLER</th>
<th>Export Clearance</th>
<th>Import Clearance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country of export</td>
<td>Pre-carriage</td>
<td>Main Carriage</td>
</tr>
<tr>
<td>Under EXW, the seller minimises his risk by only making the goods available at his own premises.</td>
<td>EXW</td>
<td>Group E: DEPARTURE</td>
</tr>
<tr>
<td>Under F-terms, the seller arranges and pays for pre-carriage in the country of export, including export clearance.</td>
<td>FCA</td>
<td>Group F: MAIN CARRIAGE NOT PAID BY SELLER</td>
</tr>
<tr>
<td></td>
<td>FAS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FOB</td>
<td></td>
</tr>
<tr>
<td>Under C-terms, the seller arranges and pays for the main carriage but without assuming the risk of the main carriage.</td>
<td>CFR</td>
<td>Group C: MAIN CARRIAGE PAID BY SELLER</td>
</tr>
<tr>
<td></td>
<td>CIF</td>
<td>+ INSURANCE</td>
</tr>
<tr>
<td></td>
<td>CPT</td>
<td></td>
</tr>
<tr>
<td>Under D-terms, the seller’s cost/risk is minimised because he must make the goods available upon arrival at the agreed destination...</td>
<td>CIF</td>
<td>+ INSURANCE</td>
</tr>
<tr>
<td>...including import clearance under...</td>
<td>DAP</td>
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<td>DDP</td>
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</tbody>
</table>
MARINE INSURANCE
WHEN DO YOU GET MARINE INSURANCE?
ALWAYS, ALWAYS, ALWAYS
Why do you get Marine Insurance?

• In the USA, **COGSA**, allows Ocean carriers to be **NOT LIABLE** for loss or damage to cargo if the loss or damage is caused by:
  • Perils of the Sea
  • Acts or neglects of the Captain or Crew (Concordia)
  • Fire

BUT, even worse, even if the Carrier should be liable, there is a limitation to damages to just $500 per package or freight unit.
Been around for a long time?

Over 3,000 years ago evidence of marine insurance
Current marine Insurance a coffee shop fad?
CONTRACT BASIS

Assured agrees to pay a premium and the assurer agrees that if certain losses or damages occur to interests ‘at risk’, the insurer will indemnify the assured.

- *Insurance covers losses, not that the perils should not occur.*
  
- We are talking about cargo insurance only. Not vessel insurance.
WHAT MARINE INSURANCE COVERS?

-- Covers perils carrier not liable for
-- Covers truck and/or rail portion of voyage
-- Covers any other portion of shipment not covered on voyage

- There is no coverage by the shipping line for inland moves from the shipper’s warehouse to port, or from port to the importer’s warehouse
-- On a CIF sale, Seller (you) neglect to get insurance and you have L/C problems. What happens? Also, do you want to fight an overseas problem? What if inadequate insurance?
-- General Average
Two types of policies:

FACULTATIVE POLICY-
Single lot cargo policy - for one time shipment.

OPEN POLICY-
- No predetermined termination date
- Underwriter agrees to cover all shipments at predetermined rate
- This is a blanket policy covering all cargo shipped by the Assured.
- There is no full form policy, rather, a certificate is issued.
- The certificate is a negotiable document.
- You are supposed to cover all your shipments by this policy.
- You are covered even if you fail to issue a certificate as long as the omission was not intentional, just an oversight.
MARINE INSURANCE CERTIFICATE

Usually 4 copies.

2 *originals* go to the buyer (bank)
1 copy to the insurance company for coverage notice and billing,
1 copy for your records.
Valued Policy

The total value of a loss is agreed to in advance on the insured subject matter. Usually includes cost, freight, and 10%.

-- The UCP 600 sets the default as ‘plus 10%’.
-- Can be increased above 10%
Insurable Interest

Right of the party to insure. No contract of marine insurance is valid unless the insured has an ‘insurable interest’ in the subject matter at the time of the loss.

ANTIWAGERING - Who has an insurable interest? Every person who is interested in the marine adventure has an insurable interest. That party is ‘At Risk’. One becomes interested when he stands to benefit by safe arrival or is prejudiced by loss.

Profits are an insurable right.
DEFINITIONS

• AVERAGE -- Partial, as opposed to total loss or damage due to insured perils.

• FREE OF -- Not liable for, not responsible for...

• PARTICULAR-- Not compensated by others (‘General’ is a contribution by others).

  Loss falls on the owner of goods and is not compensated by other parties. The loss falls to a particular party (you).
PERILS CLAUSE

Perils of the sea:

“Touching the adventures and perils which assurers are contented to bear and do take upon...”

- Usually has an FC&S and SRCC clause which eliminates war.
- Covers fortuitous occurrences only. e.g. Wind, waves, collision, foundering, stranding, icebergs, striking on rocks.
- No fault collision is a peril of the sea.
- Unseaworthiness of the vessel is not a peril of the sea.
- Loss from explosion or pilferage is not a peril of the sea.
- Must be at sea (voyage started).
TYPES OF COVERAGE

TWO TYPES of marine insurance:
1- ordinary marine
2- war risk
F.P.A  FREE OF PARTICULAR AVERAGE

Assurer is not responsible for partial loss unless caused directly by sinking, stranding, burning, or collision with another vessel.

- Will pay for total loss and will contribute to General Average.
  - The cheapest type available.
  - Usually used for bulk cargo items that are not partially damaged.
    - e.g. coal, ore, scrap, materials laden on deck.
  - Port to port, starts when goods are laden on board.
WPA or WA - WITH PARTICULAR AVERAGE

-- Will pay for partial losses caused by perils of the sea if a certain franchise percentage is met. e.g. WPA 3%.

FRANCHISE PERCENTAGE - percentage that is not a deductible, it is the minimum loss needed to initiate coverage.
- More expensive than FPA but does not cover all contingencies.
  - Covers total losses and general average.
  - Used for breakable items.
- Port to port - starts when goods are laden on board.
  - The full loss is paid without a deduction.
ALL RISK

- Covers all risks on a voyage except those specifically excluded
  - Must be caused by perils of the sea.
  - The broadest coverage available, providing protection against all risks of physical loss or damage from any external cause. BUT, does not cover loss or damage due to delay, inherent vice, pre-shipment condition, inadequate packaging, loss of market, or war.
  - It usually adds TPND (Theft, pilferage, and non-delivery).
  - The coverage is warehouse to warehouse.
  - Covers both partial and total losses, General Average and covers even perils other than those of the sea.

When cargo arrives, coverage extends for 15 days after the voyage ends if the warehouse is in the port. If out of the port then you have 30 days.

DOES NOT COVER ALL POSSIBLE RISKS.

Don’t be confused that ‘all risk’ will cover everything and all of your problems.
War Risk - INSTITUTE WAR CLAUSES

- Created to cover the ‘SRCC and FC&S’ clause which is not covered by marine insurance policy.
- Very cheap
- Must be taken separately.
- **Always take it.**
- It can be as much as 100% of marine insurance cost during risk periods.

**FC&S** -- Free of Capture & Seizure  
**SRCC** -- Strike Riots and Civil Commotion
COST

**FPA** – Cheapest, usually around 25% of all risk premium

**WPA** - About 50% of all risk premium. It changes, depending on the franchise percentage.

**ALL RISK WITH TPND** - (Theft pilferage & non-delivery)

**WAR RISK** - Usually 10% of all risk premium
GENERAL AVERAGE

The condition started in Roman times. It occurs when merchandise is Jettisoned (thrown overboard) to lighten the ship, the loss occasioned for the benefit of all must be made good by the contribution of all. In other words, some of the values at risk are sacrificed to save the remainder from peril. The compensation comes from the other parties on a prorated basis.

1) A common danger to ship or cargo, it must be imminent.
2) Voluntary jettison to avoid imminent peril.
3) The attempt must be successful. Merely helping the ship along is not enough.
   - Could be an expenditure as well as a sacrifice.
   - the owner of the sacrificed property bears his proper share of the loss -- but no more than his loss.

General average agreement is finally ascertained (Can take up to 7 years). He then goes to the insurance company for a certificate to give the carrier to get his goods.

GENERAL AVERAGE IS COVERED BY ALL THREE TYPES OF MARINE INSURANCE.
Both to Blame

Two ships collide
Under all Carriage of Goods by Sea Acts you cannot sue your ship for negligence but... you can sue the other ship.
Unfortunately the other ship can sue YOU.
CLAIMS

- Notify insurance company promptly via agent or local office once a loss is known.
- The total amount of the loss need not be ascertainable.
- The consignee or the assured must protect the assurer’s rights.
See you this afternoon

THE

JUDGE