

## Cargo Insurance Guide

### *How to Value Cargo for Insurance*

Normally, we calculate the insured value by taking the FOB value, adding the ocean or air freight, and adding 10% of that total. Thus, a shipment valued at \$10,000 with \$2,000 ocean freight would have an insured value of \$13,200. We can frequently arrange higher buffer amounts upon request.

### *Types of Coverage*

The definitions of coverage below are general descriptions and may not be applicable to all shipments. Please contact us for specific information on your shipment.

#### **All Risk**

This will cover merchandise for most types of perils that it may encounter. This coverage is intended for “approved” or “general” merchandise—that which is new, export packed and not unusually susceptible to losses from breakage, theft, pilferage, scratching and the like. All Risk coverage will insure against “...physical loss or damage from any external cause...” but specifically *excludes* the following:

- Improper packing
- Abandonment of cargo
- Rejection by Customs, FDA or other Government agency<sup>1</sup>
- Failure to pay or collect accounts
- Inherent vice (spoilage, infestation, failure of product to perform intended functions)
- Loss caused by delay<sup>2</sup>
- Loss of use and/or market<sup>3</sup>
- Nuclear
- Losses exceeding cargo policy limit
- Losses at port city more than fifteen days after discharge<sup>4</sup>
- Losses inland more than thirty days after discharge<sup>5</sup>
- Losses in South America after sixty days<sup>6</sup>
- Oceangoing barge movements (unless specifically endorsed)
- Goods subject to an On-Deck bill of lading
- Loss caused by temperature of pressure (air freight only)
- Failure to notify air carrier of preliminary loss in timely fashion:
  - Damage—seven days
  - Hidden damage—fourteen days
  - Non-delivery—120 days

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<sup>1</sup> Coverage for this can be arranged under separate cover

<sup>2</sup> Deadline coverage can be arranged separately

<sup>3</sup> Same as #2 above

<sup>4</sup> Can be modified for special situation if arranged ahead of time

<sup>5</sup> Same as #4 above

<sup>6</sup> Same as #4 above

**F.P.A. (Free of Particular Average)**

In insurance terms, this means “free from partial loss,” meaning that the *insurance company* is free from partial loss. We frequently refer to F.P.A. as *Total Loss Only* because in order to recover anything under an F.P.A. policy, the customer usually must suffer a total loss of the goods. F.P.A. will cover perils of the sea, such as stranding, sinking, burning, or collision of the vessel. It will also cover land perils that are generally out of man’s control. We usually write F.P.A. coverage for used merchandise, waste such as scrap metal or waste paper and merchandise stowed on deck or as bulk cargo.

**W.A. (With Average)**

With Average coverage is basically F.P.A. that is extended to provide for protection from damage caused by exceptionally heavy weather. Both F.P.A. and W.A. can usually be extended to include theft, pilferage and non-delivery of an entire shipping package.

**War Risk**

“Marine” insurance (this also includes air insurance) always carries a companion policy covering war risks such as hostile actions and leftover mines. This insurance carries additional premium that is usually two to three cents per \$100 of insured value. However, war rates for countries such as Iran and Lebanon are noticeably higher, for obvious reason.

**Duty Insurance**

Duty and I. R. Tax do not accrue for goods that are totally lost in transit, but partially damaged goods are frequently dutiable at full value. Depending on the duty rate, insuring the anticipated duty amount may be prudent. Duty coverage is usually about one-third of the cargo insurance rate; I. R. Tax coverage is somewhat higher. Both require companion war coverage that is usually about half the regular war coverage.

**Tables of Coverage**

The following tables may help as a quick reference. Please contact us to discuss your particular shipment requirements.

<b>Goods on Shore</b>	<b>F.P.A.</b>	<b>W.A.</b>	<b>All Risk</b>
Collision	X	X	X
Collapse of dock	X	X	X
Cyclone	X	X	X
Derailment	X	X	X
Earthquake	X	X	X
Fire	X	X	X
Flood	X	X	X
Hurricane	X	X	X
Lightning	X	X	X
Fresh water			X
Grease			X
Hook damage			X
Leakage			X
Mud			X
Non-delivery			X
Pilferage			X
Sling loss			X
Theft			X

<b>Goods on Board Vessel</b>			
	F.P.A.	W.A.	All Risk
Burning	X	X	X
Collision	X	X	X
Sinking	X	X	X
Stranding	X	X	X
Heavy weather		X	X
Contact with other cargo			X
Grease			X
Hook damage			X
Improper stowage			X
Leakage			X
Mud			X
Non-delivery			X
Pilferage			X
Ship sweat			X
Sling loss			X
Steam			X
Theft			X
General Average	X	X	X

### ***What is General Average?***

General Average means, literally, *general loss*. It can be voluntary, such as when the master jettisons containers for the safety of the vessel. It can be involuntary, such as a collision involving another ship. When a General Average loss occurs, each party involved participates in the loss.

We understand that General Average originated in the days of Marco Polo's spice trains. Marco Polo put together large groups of individuals with camels who would foray into China and other countries, trading for spices and other goods. If, during their trip, they were attacked and one trader lost his camel or his goods, the others in the train would chip in and replace his losses. This noble thought survives in current transportation law so that when a vessel runs aground, incurring substantial damage to the vessel, all of the firms having cargo on board the vessel help to pay for the repairs.

General Average liability is the first reason for purchasing cargo insurance. All types of insurance cover General Average. We can regale you with stories of customers that have steadfastly refused to purchase cargo insurance, only to be involved in a General Average condition that cost up to 25% of the value of their goods.

Everyone should have cargo insurance, even if they think their cargo is not worth covering. The liability for General Average makes it essential.

### ***Why Buy Cargo Insurance from Western Overseas Corp.?***

Many importers purchase their goods on a C.I.F. (Cost, Insurance and Freight) basis because they find it convenient. Unfortunately, they are not evaluating the price they pay for this convenience. Frequently, the insurance is no bargain and in many cases it is worthless. And, compared to our policy, the claims procedure can be very *inconvenient*.

### **Filing Claims**

When you buy C.I.F. and you have damage, you must file and try to settle claims under the terms of the foreign insurer. First and foremost, this means that your claim must be settled under foreign law and under foreign insurance terms and conditions. They are different from those with which you are familiar in the United States.

The claims procedure itself is daunting. Normally, you must contact the claims adjuster listed on the reverse of your policy. The adjuster will survey your goods and write up an estimate. You will have to pay the adjuster for the services—at least several hundred dollars—and add this to the amount of your claim. Then, you must send the claim to the foreign insurer and hope that they pay you.

### **Competitive Rates**

We write a large amount of insurance. We have successfully lowered premiums for many clients while improving the coverage on their policy. It pleases us to go over a client's total insurance needs because it is good business for both of us—we help them lower costs and improve protection while we help ourselves increase our insurance market.

### **Know Your Insurer**

It is rather frightening to be sending a claim to a foreign insurer about whom you know nothing and who may not be inclined to pay you. Settling disputes in international matters is difficult and time consuming and can be expensive. We write insurance for our customers through our own open policy with Great American Insurance (rated AA+ by A. M. Best), an insurance provider that is highly familiar with marine insurance. For unusual risks, we also place coverage with Lloyds of London. Our customers know us well. We are a service provider and we must serve our customers on insurance as well as any other services we provide.

### ***What To Do When You Have Damage***

If you purchased your insurance through Western Overseas Corp., you only need to take care of item number one. We do the rest.

1. Take exceptions on the delivery receipt that the trucker asks you to sign. If there is visible damage to cartons, crates or the container, contact us if your arranged insurance through us. Otherwise, call the claims adjuster shown on your policy.
2. File a written notice of intent to file a claim with the importing carrier within your allotted time. For air shipments, this is only seven days. For ocean shipments, the limit is one year. It is best to do so immediately.
3. Contact the claims adjuster to arrange for a survey of the cargo and a damage estimate. Cooperate with the adjuster fully, as it will affect your ability to collect reimbursement.
4. Once the adjuster completes the survey, file the claim for damages with the insurer promptly.

Remember, if we cover your insurance, we take care of everything but noting the exceptions on your delivery receipt.

Please bear in mind that we are only a phone call away. We look forward to the opportunity of discussing your insurance needs.