



**Insurance Solutions
gained from
Logistics Experience**

Marine Cargo Insurance

PRINCIPLES OF INSURANCE – PRINCIPLE OF UTMOST GOOD FAITH

- Means absolute honesty and full disclosure
- Insured must not withhold any crucial information when asking for a proposal
- Insurance underwriters based their proposals on the information given by the insured
- Claims must be made in good faith
- Fraud invalidates any contract and deprives the insured from his/her rights under the insurance policy.

PRINCIPLES OF INSURANCE – PRINCIPLE OF INSURABLE INTEREST

- Without insurable interest, insured cannot claim under a insurance policy.
- Policy holder must suffer some type of financial loss if anything happens to the object they are looking to insure.
- Basic purpose of insurance is to compensate a policy holder in the event of a claim or loss/

PRINCIPLES OF INSURANCE – PRINCIPLE OF INDEMNITY

- Insurance policies are not meant for policy holders to make a profit.
- Insurers enter in a contract (an insurance policy) with insureds to compensate them for the amount of loss or the insured amount agreed on the contract.
- Policy holders cannot profit from the compensation they receive from insurers in the event of a claim.

PRINCIPLES OF INSURANCE – PRINCIPLE OF CONTRIBUTION

- Often considered as an extension of the principle of indemnity.
- If multiple insurers / policies insure the same risk, both insurers will pay their portion of the loss incurred.
- An insurer that pays the whole loss is entitled to recover the share of co-insurers in the loss.

PRINCIPLES OF INSURANCE – PRINCIPLE OF SUBROGATION

- After an insurer pays a claim, the insurer acquires all legal rights of the insured to recover the loss against the party who caused the loss.
- In the event of a partial loss, insurers has the right and ownership to whatever is left of the damaged property.

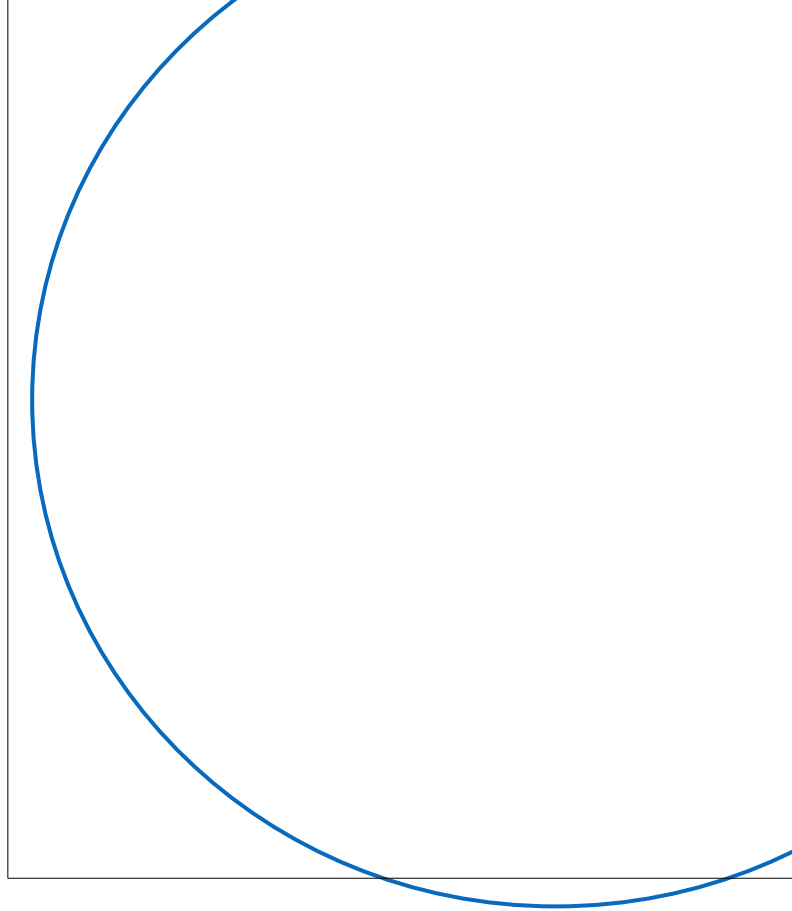
PRINCIPLES OF INSURANCE – PRINCIPLE OF PROXIMATE CAUSE

- If there is a claim under an insurance policy that was due to a variety of causes, and such causes are all insured, the nearest cause or proximate cause must be identified.
- Often times, the most dominant and effective cause of loss will be determined the proximate cause.



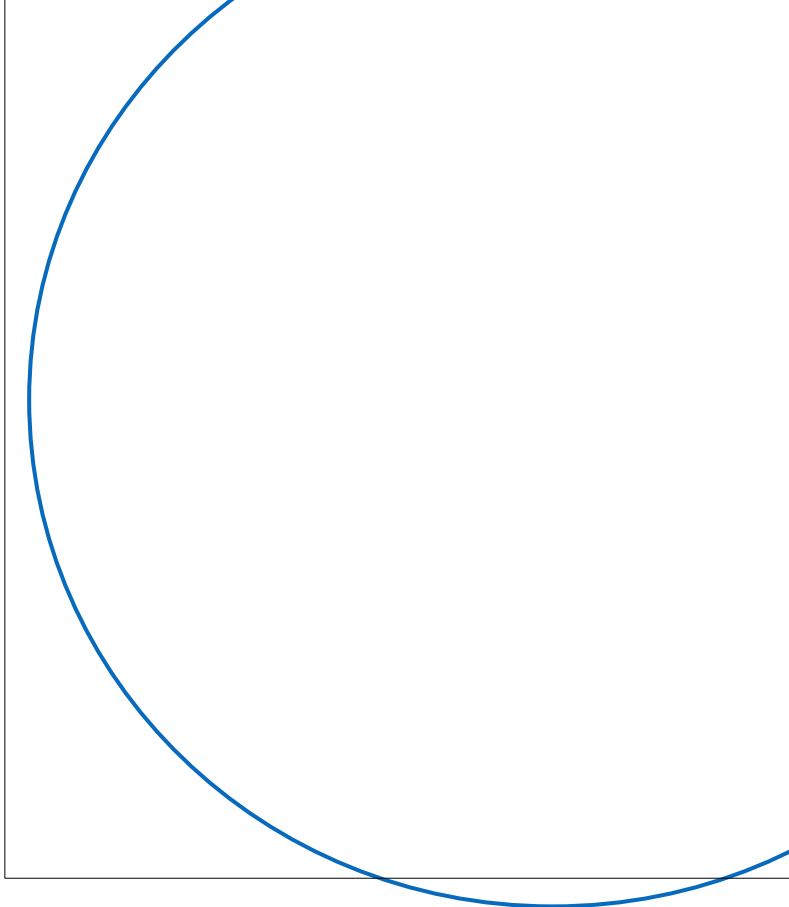
GENERAL DEFINITION OF MARINE INSURANCE

Marine Insurance is an insurance against risks connected with navigation, to which a ship, cargo, freight, profit or other insurable interest in a moveable property, may be exposed to, during a certain voyage or a fixed period of time.





WHY APPLY FOR CARGO INSURANCE?

- To protect goods from the perils of the sea
 - To ensure proper insurance coverage from place of origin to place of destination
 - Limited carrier liability
 - General average claims
 - Comprehensive settling agents
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LIMIT OF LIABILITY

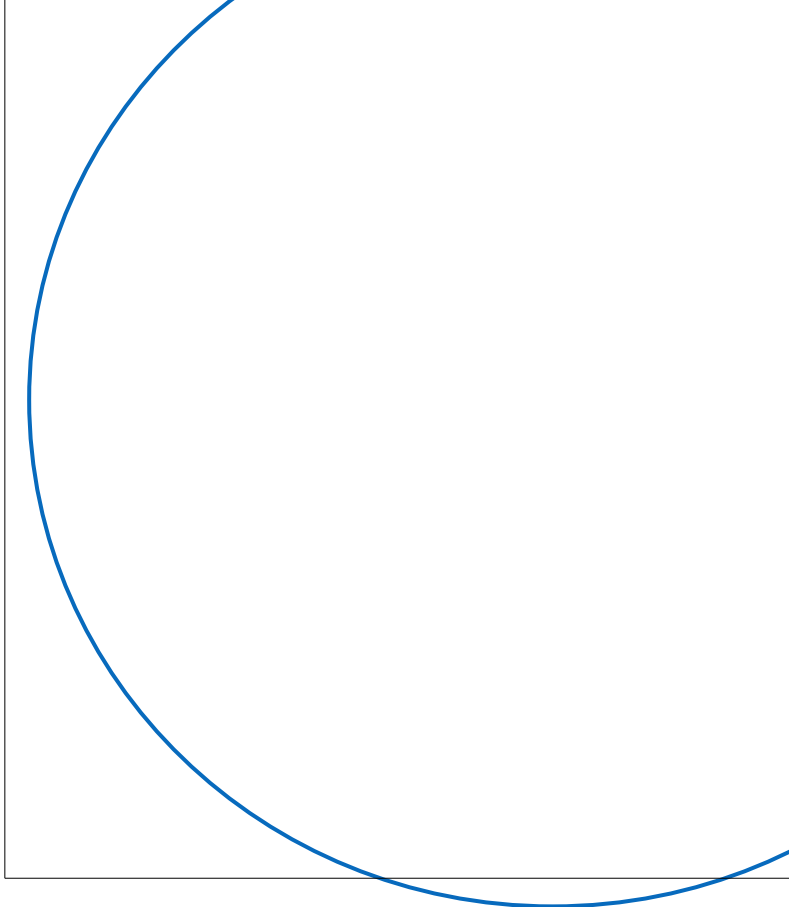
- In the United States, the Carriage of Goods by Sea Act (COGSA) governs liability for ocean cargo. COGSA applies to international shipments involving Philippine ports (to/from).
 - Limits recovery to \$500 per package or customary freight unit (CFU) when the carrier/NVOCC is negligent. *What is a package?*
 - The smallest unit of packaging declared on the bill of lading. This could be a whole container, a pallet, etc. Examples:
 - One 40-foot container S.T.C. 1000 packages of almonds.
If the carrier is liable, liability is limited to the lesser of the cargo's value or 1000 x \$500.
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If the carrier is liable, liability is limited to the lesser of the cargo's value or 1 x \$500
- In Canada, Hague-Visby applies.
 - 666.67 SDR per package or 2 SDR per kilo, higher than COGSA.
- Rotterdam Rules signed in 2009 will be the new liability convention. Needs to be ratified first.

RESPONSIBILITIES OF A CARRIER

- Make the ship seaworthy.
- Properly man, equip and supply the ship.
- Make the holds, refrigeration and cool chambers, and all other parts of the ship in which goods are carried, fit and safe for their reception, carriage and preservation.
- Shall properly load, handle, keep, stow , care for and discharge the goods carried.
- Issue to the shipper the Bill of Lading showing proper goods identification, correct number of packages and shipment quantity and weight.

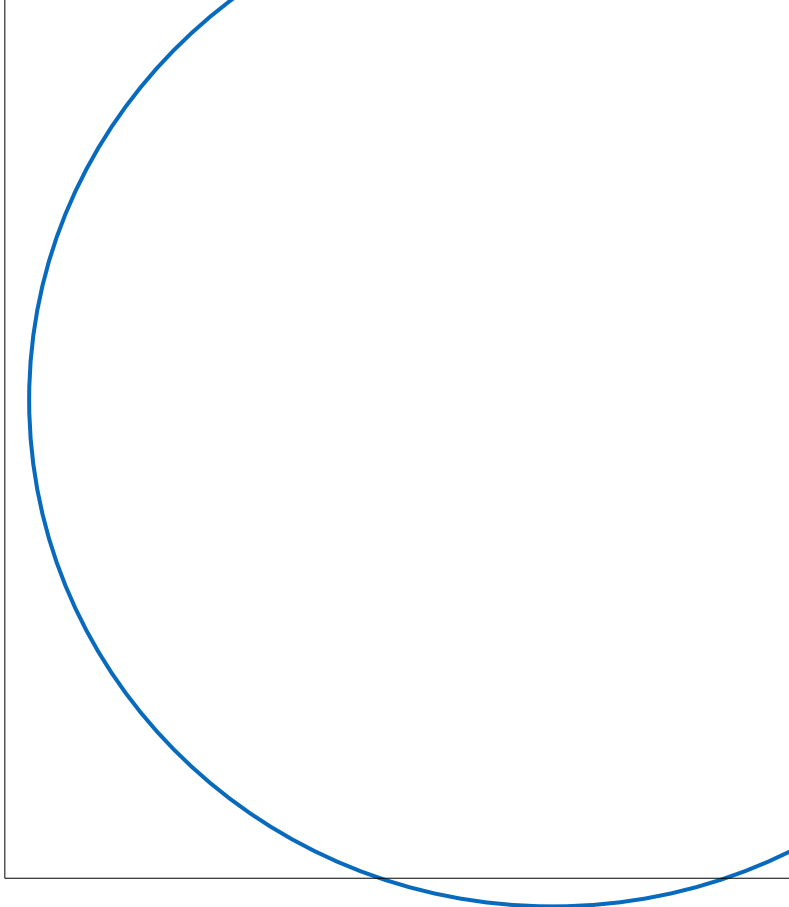


17 HAGUE-VISBY DEFENSES

1. Neglect of carrier in the navigation or in the management of the ship
 2. Fire (unless by fault of the carrier)
 3. Perils, dangers, and accidents of the sea
 4. Act of God
 5. Act of war
 6. Act of public enemies
 7. Arrest, restraint, or seizure
 8. Quarantine restrictions
 9. Act of omissions of the shipper or owner
 10. Strikes, lockouts, or labor stoppage
- 



17 HAGUE-VISBY DEFENSES

11. Riots and civil commotions
 12. Inherent defect, quality, or vice of the goods
 13. Insufficiency of packing
 14. Insufficiency or inadequacy of marks
 15. Latent defects not discoverable by due diligence
 16. Saving life or property at sea (general average)
 17. Any other cause arising without the actual fault of the carrier
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SUMMARY OF LIABILITY LIMITS

Statute	Mode	Customary Limit
Carriage of Goods by Sea Act (COGSA)	Ocean	\$500 per Customary Freight Unit
Warsaw Convention (International)	Air	\$9.07 per pound or \$20 per kilo
Montreal Protocol (Applicable in the Philippines)	Air	22 Special Drawing Rights (SDRs)

DOMESTIC LIMIT OF LIABILITY

14. Limitation of Liability. Liability for loss or damage to the goods shall not exceed Php1,000.00 per package, or in case of goods not shipped in package, per customary freight unit, unless the Merchant has declared a higher value of the goods than Php1,000.00 per package or per customary freight unit (not to exceed the market value) upon delivery to the Carrier, and such higher value has been inserted on the face hereof and extra freight/insurance has been requested and paid. In that event, liability for loss shall not exceed the declared value and any partial loss or damage shall be adjusted pro rata on the basis of the declared value. The word "package" shall include, without limit, a container used to ship household goods, or freight all kinds shipped under a lump sum tariff, a liquid tank or a dry bulk container, van or trailer, and cargo shipped on a skid, cradle, pallet or unitized load, group or assemblage. Personal effects liabilities will be limited to a release value of Php100.00 per pound.

DECLARED VALUE COVERAGE

- Declared value is usually for shippers who want an option to pursue a recovery amount that exceeds a carrier's stated limit
- Shipper usually pays the increase in liability of the carrier, to cover the difference between the cargo value and the carrier's maximum liability
- However, the 17 Hague-Visby Defenses will still apply should a claim occur.
- Cargo insurance is still preferable because the shipper will not have to prove that the carrier is legally liable for the damage.
- Declared value can be considered for commodities that cannot be typically insured under a marine cargo insurance policy.

CARGO INSURANCE EXCLUSIONS

- The below commodities are typically excluded or require further approval (which results into a higher premium) in cargo insurance policies:
 - Works of art or antiques
 - Bloodstock or prize animals, livestock, live animals, live plants
 - Precious metals, stones, jewelry, money, coin, banknotes, checks
 - Bullion, credit card, securities, shares, bonds, deeds, bills of exchange and other documents that represents money
 - Cigarettes, Tobacco
 - Pharmaceuticals
 - Mobile Phones, gadgets, accessories
 - Dangerous goods

CARGO INSURANCE EXCLUSIONS

- Bottled Beverage and other glass items
- Commercial bulk cargo, such as petroleum products and cargoes inside ISO Tanks and Tank Containers
- Radioactive and explosive goods
- Bulk shipments of fishmeal, seedmeal, peanuts and its by-products
- Copra
- Agricultural grains such as rice, corn, soy bean, wheat, tapioca, etc.

CARGO INSURANCE VS DECLARED VALUE

	Cargo Insurance	Declared Value
Provides door to door coverage	YES	NO
Pays whether or not transportation provider's negligence is proven to have caused the loss	YES	NO
Pays for losses occurring outside the control of the carrier	YES	NO
Pays shipper / consignee for the full invoice of value cargo lost or damaged plus freight and other associated costs	YES	NO
Can pay for expediting replacement goods	YES	NO

INCOTERM IMPLICATIONS

- EXW – consignee assumes the risk of transportation of goods shipper's factory all the way to his / her warehouse / place of delivery
- FOB / FCA – shipper assumes the risk of transportation of goods from shipper's factory to the origin port. Consignee assumes the risk from origin port all the way to his/her warehouse.
- DDP / DDU – shipper assumes the risk of transportation of goods from shipper's factory all the way to the consignee's warehouse / place of delivery.

ALL OF THESE INCOTERMS DOES NOT REQUIRE CARGO INSURANCE!

INCOTERM IMPLICATIONS

- It is only under CIF or CIP incoterms that the shipper is required to provide insurance.
- However, the shipper is only obliged to get the least comprehensive ICC C coverage.
- Shippers also often opt to only insure from their warehouse up to the destination port.
- As a result, the transit from destination port to consignee's door often remains uninsured.
- Therefore, it is important to always make sure that the consignee or buyer also gets his/her own cargo insurance to cover all legs of a multi-modal transportation.

DOMESTIC SHIPPING INSURANCE

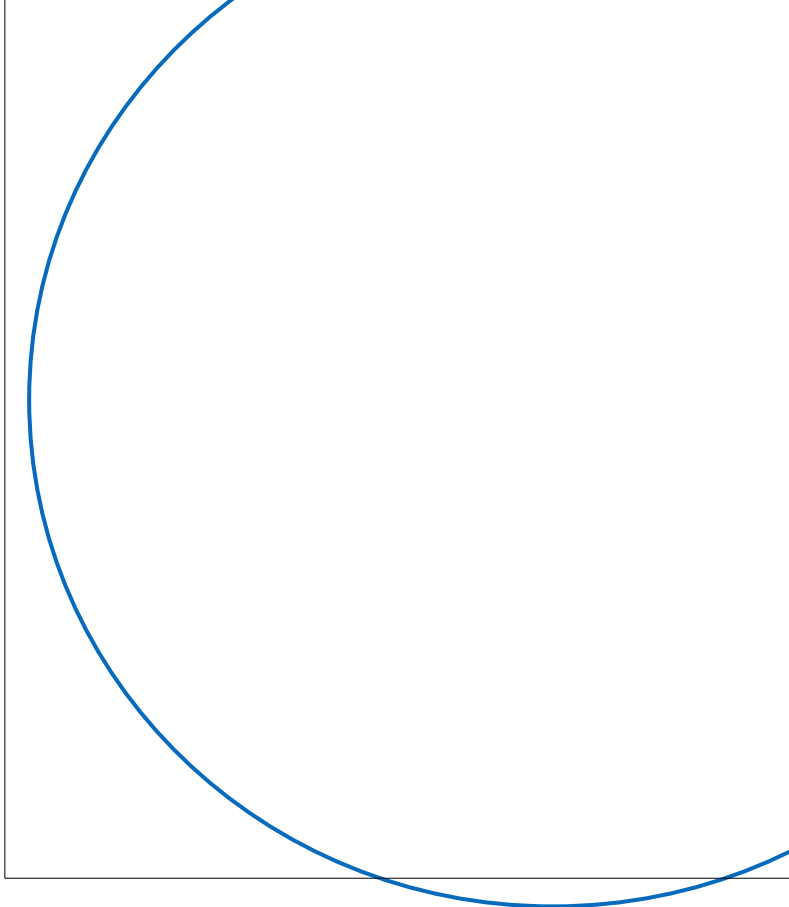
- Since no incoterm typically governs domestic shipping, the arrangement for cargo insurance must be set beforehand by the shipper and the consignee.
- Always make sure that a door to door coverage is in place as domestic carriers have a lower limit of liability as compared with international carriers.
- If there is a sub-contractor assigned to do the loading and/or unloading, make sure that the sub-contractor has their own cargo insurance or another option is to make the sub-contractor as a co-insured in the policy

WARRANTIES

- Expressed warranty – written in the policy. Examples are warranted professionally packed, warranted shipped in freight container, each truck load shall be covered by a corresponding Way Bill, that vehicles shall not be loaded beyond 100% capacity, etc.
- Implied warranty – understood to exist without being stated in the policy. Examples are seaworthiness of vessels, a truck must be maintained on a regular basis to withstand the rigors of land transit.



TYPES OF MARINE CARGO POLICIES

- **Voyage Policy** – covers a shipment for one voyage only, from port of origin to port of destination in one continuous transit. The cover terminates upon delivery of the shipment to the Assured.
 - **Open Policy** – one that covers various shipments over a period of time, usually 12 consecutive months and remains open until cancelled by the Insurer or Assured. Normally terms and conditions and rates remained unchanged over the period of cover.
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UNDERWRITING INFORMATION NEEDED

- Name of the Assured
- Subject Matter Insured
- Value of Goods
- Containerized/Bulk
- Manner of packing
- Place of Origin
- Place of Destination
- Bill of Lading / Airway Bill
- Date of Sailing and Arrival
- Name of Vessel
- Terms of Cover

Additional information for Open Policy

- Assured Background
- Loss History
- Previous/Current Insurer
- Frequency of Shipments
- Estimated Annual Sendings
- Maximum Limit per vessel, aircraft, shipment

Risks covered and the Exclusions

Risks covered and the Exclusions	Institute Cargo Clauses		
	(A)	(B)	(C)
Loss of damage to subject matter insured	Proximately caused by	Reasonably attributable to	Reasonably attributable to
Fire or Explosion	Yes	Yes	Yes
Vessel of craft stranded, sunk, burnt or capsized	Yes	Yes	Yes
Land conveyance overturned or derailed	Yes	Yes	Yes
Collision or contact of vessel, craft or conveyance with any external object except water	Yes	Yes	Yes
Discharge of cargo at port of distress	Yes	Yes	Yes
Earthquake, lightning or volcanic eruption	Yes	Yes	No

Risks covered and the Exclusions

Risks covered and the Exclusions	Institute Cargo Clauses		
	(A)	(B)	(C)
Malicious damage	Yes	No	No
Theft	Yes	No	No
Delay	No	No	No
Inherent vice	No	No	No
Willful misconduct of Assured	No	No	No
General average sacrifice	Yes	Yes	Yes
Jettison	Yes	Yes	Yes

Risks covered and the Exclusions

Risks covered and the Exclusions	Institute Cargo Clauses		
	(A)	(B)	(C)
Washing overboard	Yes	Yes	No
Entry of sea, river or lake water into vessel, craft, conveyance, container or place of storage	Yes	Yes	No
Total loss of any package lost overboard or dropped whilst loading on to, or unloading from, vessel or craft	Yes	Yes	No
Piracy	Yes	No	No
War	No	No	No
Strikes, riots and civil commotion and terrorism	No	No	No
Use of atomic or nuclear weapon	No	No	No

Risks covered and the Exclusions

Risks covered and the Exclusions	Institute Cargo Clauses		
	(A)	(B)	(C)
Ordinary leakage, ordinary loss in weight or volume, or ordinary wear and tear	No	No	No
Insufficiency or unsuitability of packing	No	No	No
The Assured privy to the unseaworthiness of the vessel or craft and/or unfitness of vessel, craft, conveyance or container at the time of loading	No	No	No
Insolvency of financial default of the owners or operators of the vessel	No	No	No



SPECIAL CLAUSES

- **Institute Frozen Meat Clause**
 - **Institute Frozen Food Clause**
 - **Institute Cargo Clause (Air)**
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INSTITUTE FROZEN MEAT CLAUSE

- 'Meat' refers to whole carcasses covered with cotton stockinette, as for lamb, or in part carcasses for beef.
- Transported in a frozen or chilled state.
- All-Risk coverage other than loss or damage sustained by any variation in temperature , except for the below cases:
 - Refrigerated Machinery Breakdown (max 24 hours)
 - Stranding, sinking, burning or collision of vessel
 - Contact of vessel, craft or conveyance with any external substance other than water
 - Fire or explosion
 - Discharge at port of distress
- **Duration of coverage:**
 - Attaches from the time the cargo passes into the cooling/for freezing chamber and the time the cargo is loaded into conveyance for transit
 - Ends upon 30 days after final discharge of cargo from vessel (USA, Canada, Europe only). For other destinations, ends upon 5 days after final discharge of cargo from vessel.

INSTITUTE FROZEN FOOD CLAUSE

- 'Frozen Food' under this clause denotes food already packed properly for sale and already cut into pieces.
- Transported in a frozen or chilled state.
- All-Risk coverage other than loss or damage sustained by any variation in temperature , except for the below cases:
 - Refrigerated Machinery Breakdown (max 24 hours)
 - Stranding, sinking, burning or collision of vessel
 - Contact of vessel, craft or conveyance with any external substance other than water
 - Fire or explosion
 - Discharge at port of distress
- **Duration of coverage:**
 - Attaches from the time the cargo passes into the cooling/for freezing chamber and the time the cargo is loaded into conveyance for transit
 - Ends upon 30 days after final discharge of cargo from vessel (USA, Canada, Europe only). For other destinations, ends upon 5 days after final discharge of cargo from vessel.

INSTITUTE CARGO CLAUSE (AIR)

- Same with ICC A but applies under airport-airport (purely air) shipments

EXCLUSIONS

- ordinary leakage, ordinary loss in weight or volume, or ordinary wear and tear
- insufficiency or unsuitability of packing or preparation of the subject-matter insured
- wilful misconduct of the Assured
- Inherent vice
- insolvency or financial default of the owners, managers charterers or operators of the vessel
- deliberate damage to or deliberate destruction of the subject-matter insured
- any weapon of war employing atomic or nuclear fission and/or fusion

Please do not forget the warranties as well!

INLAND TRANSIT COVERAGE

Truck Risk Clause, which covers losses or damages to (perils highlighted in red are optional):

- Fire
- Explosion
- Collision
- Overturning or upset of conveyance
- Collapse of bridges
- Flood
- Lightning
- Cyclone and Tornado
- Robbery
- Hi-jacking
- Losses and damages due to loading and unloading
- Losses and damages whilst the vehicle is on stop overnight at an allowed territory

DURATION OF COVERAGE

- STARTS at the warehouse or place of storage indicated by insured.
 - Can be flexible and changed according to insured's preference/incoterm involved
- ENDS (whichever first may occur):
 - - when the cargo is delivered to the final destination indicated by the insured or another warehouse/place insured has chosen for storage, allocation or distribution
 - - 60 days (30 days by air) after completion of discharge from overseas vessel or aircraft

GENERAL AVERAGE



GENERAL AVERAGE

- Ocean loss. A voluntary sacrifice to save cargo/vessel/life.
 - Extraordinary expenses are incurred (i.e., jettison, fire).
- All cargo is seized. Amount of GA loss is determined.
 - Must post security deposits to release cargo.



HOW GENERAL AVERAGE WORKS

Vessel and freight value	P200 million
Saved cargo value	P50 million
Contributing value (total)	P250 million

- Assume P50 million in cargo was sacrificed.
- The loss represents 20% of the contributing value.
- Cargo owners must contribute 20% of their respective cargo values, even if their cargo wasn't damaged.

GENERAL AVERAGE

- A guarantee must be posted to release the freight.
- If the cargo was insured, the insurance company provides the guarantee.
- Without Cargo Insurance, cash must be posted.
- General Average claims can take years to resolve.





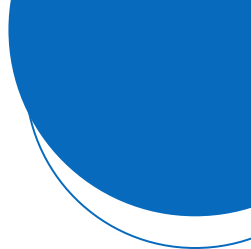
PROCESS WORKFLOW

QUOTATION PROCEDURE

- Gather the underwriting information needed for quotation. FGIIA team needs the below (at the minimum, for quotation):
 - Commodity / Nature of Cargo
 - Insured Transit
 - Insured Details
 - Value of cargo
 - Type of packaging (LCL, FCL, if brand new or not, if in drums, crates, pallets, cartons, lift vans, bags, parcels, sacks, etc.
- Email our Customer Service Team for quotation.
 - May Ann D. Salazar (mdsalazar@firstglobal.ph)
 - Honey Jane A. Baytan (honey.baytan@firstglobal.ph)
- For FGIIA team's easier monitoring and reference, subject line should be:
 - RFQ – [INSURED NAME] – [COMMODITY] – [VOLUME]
- FGIIA Team to advise if there is a need for any more information for quotation.
- FGIIA Team to provide quotation within 1-2 days.



ISSUANCE PROCEDURE

- Upon acceptance of quotation, issuance advice should be confirmed via email to the FGIIA Team.
 - Policy will be delivered within 3 days.
 - Soft copies of the policy can also be provided if needed.
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CLAIMS PROCEDURE

- Inform FGIA immediately within 15 days (better if ASAP) of being aware of the incident, by any correspondence.
- Remember the duties of an insured.
- Provide the below documents to FGIA:
 - Official Notice of Claim Letter to FGIA completely describing the incident (include timeline as well)
 - Copy of claimant's claim letter to defendant
 - Bill of Lading/Air Way Bill
 - Bad Order Certificate (if any)
 - Short Delivery / Short Landed Certificate (if any)
 - Commercial Invoice / Packing List
 - Original policy
 - Any more documents as requested by the insurance underwriter

DUTY OF THE INSURED

- File a written notice of claim without delay.
- To take such reasonable measures for the purpose of averting or minimizing such loss or damage.
- Ensuring all rights against carriers bailees and other third parties are preserved.
- Ensure that the proof of loss and damage and survey report be made or obtained immediately after loss or damage.

NOTICE OF CLAIM FORMAT

[CLAIMANT COMPANY LETTERHEAD]

[Name of company liable for damages]

[Address line 1]

[Address line 2]

[Address line 3]

[Postcode]

Dear Sir/Madam,

Good day.

Kindly accept this letter as a formal notice of loss. We are holding your company responsible for [brief description of incident/include amount of loss/damage].

The details of the incident are as given below:

[Describe incident/include date & location of incident]

I look forward to receiving your satisfactory proposals for the proper settlement of my claim.

Sincerely,

[Signature]

[Name],

[Title]

OUR MARINE INSURERS

- Pioneer Insurance and Surety Corporation
- MAA General Assurance Philippines, Inc.
- Paramount Life and General Insurance Corporation
- Pacific Union Insurance Company, Inc.
- Prudential Guarantee & Assurance, Inc.
- Standard Insurance Co, Inc.
- Malayan Insurance Company, Inc.



THANK YOU!



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