



Marine Cargo Insurance

Marine Cargo Insurance is an integral part of transportation. We spoke to Kevin Ricciotti, Account Executive for Avalon Risk Management, about the benefits and common concerns SCTC Members may have. Avalon Risk Management is an independent, privately held insurance broker offering insurance services worldwide.

SCTC: Why should I insure my cargo?

Kevin: Anything can happen to goods in transit. Goods could be damaged in a storm or fire, be stolen or just be mishandled from your warehouse to its final destination. Shipper's Interest Cargo Insurance is the smart solution to protect against financial loss.

In addition to covering loss or damage, Cargo Insurance also protects against General Average, pays for the costs to minimize a loss (sue and labor), and pays for damage inspection (survey). Some shippers may believe they can rely on the carrier, but that's not the case – carriers have limited liability (\$500 per shipping container) and are provided legal defenses which absolve them of responsibility entirely. Cargo Insurance pays covered claims without the need to prove fault. Why not insure?

SCTC: What is an all risk cargo insurance policy?

Kevin: "All-Risk" Cargo Insurance is the broadest form of coverage available and provides first-party protection on approved general merchandise for loss or damage to cargo from external causes. An easy way to think of "All-Risk" Cargo Insurance is that everything is covered, except what's excluded.

Avalon Risk Management can provide more information about exclusions, but these typically include improper packing, inherent vice (spoilage, infestation), abandonment of cargo, and claims that are time barred.

SCTC: What types of losses are covered?

Kevin: Again, think of "All-Risk" Cargo Insurance is that everything is covered, except what's excluded. This means that if there's a fire, storm, hijacking, washing overboard, theft, pilferage, or General Average, an "All-Risk" policy will cover the shipment, in accordance with policy terms.

SCTC: What do I do in the event of a cargo insurance claim?

Kevin: There are strict timeframes to file claims after the delivery date, so it's important to notify Avalon and notify all carriers immediately. Avalon will provide sample templates as well



as walk you step by step throughout the entire process. We will most likely want to see an itemized claim statement, a copy of the invoice, a copy of the bill of lading, and the insurance certificate.

SCTC: My goods are not at risk, so why should I purchase marine cargo insurance?

Kevin: Some goods may be less susceptible to loss than others, but there is always exposure to catastrophic loss, like a fire. All goods are at risk from unavoidable rigors of transit such as bad weather.

SCTC: What if the cargo insurance is too expensive for my company to purchase?

Kevin: If goods are damaged, they can't be sold. Isn't it worth paying a premium to know if the goods are damaged and it's a covered claim, you'll get reimbursed and keep your customer satisfied? In addition, the feedback I get from exporters is that the premium is lower than they had anticipated.

SCTC: I sell C & F or buy C.I.F., why should I change?

Kevin: CIF terms of sale in specific countries only require FPA insurance. This is a different kind of coverage to "All-Risk" and provides less protection in the event of a loss. It's important to understand your coverage. When buying CIF, you also cannot be sure of the insurance company or the coverage provided. Unless you're negotiating terms and conditions, who knows what kind of protection you are getting.

If you have any further questions, please feel free to contact Jackie Trujillo with SCTC at 559-284-1077 or Kevin Ricciotti with Avalon Risk Management at 310-258-2824.