



IUMI 2018

Cargo Coverage Extensions

The Good, the Bad and the Ugly

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Peer Review Time !

Let's test your voting buttons.....

1. When you record your limits per risk on your systems, do you calculate a different number from the “policy limit” taking into account Accumulation Clauses, Extra Expense Clauses and similar?

YES / NO

2. Do you think your total recorded aggregation numbers are correct?

YES / NO

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(1: I would query this clause)

(2: I would accept this clause without query)

ACCESS TO PROPERTY CLAUSE

It is understood and agreed that should any governmental or civil authority deny the Insured access to the Subject Matter Insured as a result of damage to a building or structure or conveyance in which it is held from a peril insured against, such Subject Matter Insured which cannot be retrieved shall be considered a total loss under the terms of this insurance. Any salvage shall be for the benefit of Underwriters

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ACCESS TO PROPERTY CLAUSE

- Conveyance?
- Would apply to a “Maersk Honam” type situation?
- No time limit?
- May not be any actual damage to the cargo

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(1: I would query this clause)

(2: I would accept this clause without query)

EXPOSURE FLUCTUATION CLAUSE

This insurance automatically provides cover for the Subject Matter Insured whilst at locations advised at the inception of this contract and/or at any other location utilized by the Insured throughout the duration of the policy period, notwithstanding that exposures may increase/decrease without prior advice to Underwriters

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EXPOSURE FLUCTUATION CLAUSE

1. Overrides policy limit or not?
2. Allows locations in different countries to those envisaged
3. May expose you to sanctions issues?
4. No sub limit
5. Not contract certain with regard to premium position

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(1: I would query this clause)

(2: I would accept this clause without query)

EXTRA EXPENSES - DEMURRAGE

Notwithstanding anything to the contrary herein stated, following physical loss of or damage to the goods, this policy will also indemnify extra expenses such as demurrage due to the owners of the carrying vessel, barge or other conveyance for such time whilst on demurrage spent by the assured in negotiating and executing a best possible solution with relevant parties in order to mitigate the consequences of such physical loss or damage whatever these may be.

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EXTRA EXPENSES - DEMURRAGE

1. “Such as” demurrage. Open to other costs?
2. No sub limit
3. Even if with, say, a 10 day time limit, would cargo underwriters understand the financial consequences of such an extension?
4. Within policy limit or in excess of it?

Another version includes “Extra expense includes **all additional expense and costs during the period of restoration of the Assured’s business to the position they were in prior to the loss**” with a \$5m additional limit.

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EXTRA EXPENSES - DEMURRAGE

Yet another version on a pharmaceutical account includes **“If the goods are wetted or exposed to any odour and the quality of the goods is thereby affected, the extra expense of drying and/or reconditioning will be reimbursed by insurers and if the goods cannot be reconditioned Insurers shall pay the full value of the affected goods”**

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(1: I would query this clause)

(2: I would accept this clause without query)

ACCUMULATION CLAUSE

Should there be an accumulation of interests beyond the limits expressed in this policy by reason of any interruption of transit and/or occurrence beyond the control of the Assistant Treasurer Risk Management & Insurance, or by reason of any casualty, the insurers shall hold covered such excess interest and shall be liable for the full amount at risk (but no more than twice the limit any one vessel) provided notice be given to insurers as soon as known to the Assistant Treasurer Risk & Insurance

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ACCUMULATION CLAUSE

1. Does this mean that if the Assistant Treasurer Risk & Insurance doesn't know about it that it isn't covered, or that it is covered and/or whether the 200% limit applies or not?
2. What if it beyond someone else's control? Or if the Assistant Treasurer isn't available?

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(1: I would query this clause)

(2: I would accept this clause without query)

CONTROL OF DAMAGED GOODS CLAUSE

The Insured exercising reasonable discretion and cooperating with Underwriters shall be the sole judge as to whether the goods involved in any covered loss are fit for normal intended use or consumption. No such goods shall be sold or otherwise disposed of except by the Insured, allowing Insurers any salvage obtained on any sale. It is also agreed that if the product as a result of a recoverable loss does not comply with the Good Manufacturing Practice (GMP) and/or USFDA protocols and which causes the integrity of the product to be in doubt it is deemed to be accepted as damaged and may be destroyed accordingly. GMP may be as developed to comply with the requirements of any country agency or authority or similar governing body worldwide

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CONTROL OF DAMAGED GOODS CLAUSE

1. Are we sufficiently knowledgeable about life science (in this instance) regimes worldwide to understand the implications of this?
2. Does this make underwriters potentially exposed to potentially fraudulent transactions?
3. If they co-operate with Insurers, how can the Assured be the “sole” judge? Contra proferentem.

CONCLUSION

- Beware of Extra Expenses
- Think of your reinsurance treaty at all times. Do you see any exposure to CNED or political risks?
- Are any clauses including TDI or Supply Chain disruption cover?
- Are you happy to pay delay claims?
- A simple Brands Clause recently inflated a wet damage claim to textiles from USD25k to USD138k
- Have you managed your aggregated limits appropriately? Do you think Accumulation Clauses apply to Stock as well as Cargo?
- Are your surveyors and inspectors fully armed with information on the level of exposure you are undertaking to cover when they attend sites?

And before you go.....

Do you still think your recorded aggregations are correct?

Be careful out there !



THANK YOU

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