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Covid-19: Marine Cargo Insurance



As COVID-19 Pandemic continues, governments across the world have implemented various measures including lockdown to stem the spread outbreak.

This has thrown out of gear businesses, trade and commercial activities worldwide. It is anticipated that the situation, is likely to continue for a longer period.

The impact of the crisis on cargo related exposures is significant as it affects the whole supply chain across countries and borders.

Cargoes are stranded at different stages of their transit. In India alone it is estimated that 350,000 trucks carrying cargo worth INR 35,000 Crore are stranded at various stages of transit.

It is in this backdrop we are issuing this advisory. We have attempted to capture various scenarios in the transit and action points.

Whilst we have provided coverage positions in general, we would like to emphasize that insurers, underwriters would take a view based on policy level terms, conditions and warranties agreed upon.

Change in Voyage

Situation:

Due to the lockdown, there could be a change in the voyage.

Action Point:

- If the insured is aware of any such change in the voyage, then the same should be informed to the insurer and concurrence to be taken.

Termination of Contract of Affreightment (Domestic /Export/Import) short of destination.

Situation:

Carrier is terminating the contract short of the destination.

Action Point:

- Insurer to be informed and concurrence to be taken for continuity of cover under cargo policy.

Accumulation/Limit Per Location Clause

Situation:

Accumulation of cargo in Port/Airport/Transporter's godown/CFS due to lockdown and resultant congestion. The schedule of cargo movement is stretched, challenging the limit under the policy.

Action Point:

- Assured to proactively take a note of any likely breach in the location limit.
- Inform the insurer and concurrence to be taken for an increase in the location limit.

Duration clause

Situation:

Cargo is stuck at the destination seaport, airport, railway siding due to lockdown - **(Policy taken by assured's buyer or supplier)**

Action Point:

- An extension of duration to be taken from the supplier's insurance policy.
- If an extension is not possible, arrange for Fire and Burglary policy with local insurer when cargo is lying in the port beyond the duration period.
- Tail end risk cover to be taken from local insurer.

Situation:

Cargo is stuck at destination seaport, airport, railway siding due to lockdown - **(Policy taken by assured.)**

Action Point:

- An extension to be taken from the Indian insurer under the duration clause.

Situation:

Road cargo has reached the destination or consignee warehouse, but unable to unload cargo which is now lying in the truck.

Action Point:

- Insurer to be informed and concurrence to be taken for an extension of cover under cargo policy.

Situation:

FOB Exports: Extension of duration under the FOB clause and Shut Out Cargo clause.

Action Point:

- Need to take an extension under the FOB Clause, where arrival of the vessel is delayed.
- In case the contract of carriage is terminated and therefore the cargo is not shipped, then the cargo must be returned and no extension on the FOB clause is required. The return movement from port to be insured.
- Where the vessel has arrived and cargo not loaded, then an extension is required under the Shut Out Cargo clause.

Storage under marine

Situation:

Cargo is lying at CFS awaiting letter of export and further stuffing advices

Action Point:

- Review the policy, INCOTERMS and take advice from your Broker/Insurer.
- In case not automatically covered, take an additional cover for storage at CFS.

Situation:

Intentional storage is not in the ordinary course of transit.

Action Point:

- Details of the location to be disclosed and the assured should procure an SFSP policy.

Situation:

Cargo is kept at custom bonded warehouse/tanks in case of an import.

Action Point:

- Need to take a separate Fire and Burglary Policy whilst at bond. The transit leg post debond to be covered under the cargo policy.

Situation:

Extended Storage at overseas destination
Port/Airport for exports: Beyond Extension of Duration clause after taking delivery of cargo. (Unable to move consignment due to COVID 19 situation, esp. Italy, etc.)

Action Point:

Need to take support from the insurer for an extension of cover while the cargo is lying inside Port/Airport after taking delivery of cargo and completion of the contract of affreightment.

Warranties

Situation:

Certain policies have a warranty of Pre Despatch Survey (PDS) prior to commencement of transit. Owing to the shortage or unavailability of work-force, the insured is not able to conduct PDS.

Action Point:

- Seek waiver of the PDS warranty or, if not possible, the insurer is to provide alternate solution in the current scenario.

In case not automatically covered, take an additional cover for storage at CFS.

Delay

Situation:

Loss or damage to the cargo because of delay.

Policy Response:

Loss, damage or expense caused by delay, even though the delay is caused by a risk insured against, is an **exclusion** under the cargo policy.

Demurrage Charges

Generally, are not payable for most circumstances. However, can be considered in case these charges are incurred due to loss or damage to cargo claimable under the policy.



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