For safe and secure cargo delivery

MSIG

MARINE CARGO INSURANCE

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MSIG Malaysia is part of the Mitsui Sumitomo Insurance Co., Ltd. network in Japan. The group has received strong financial ratings from leading ratings agencies, including Standard & Poor's and Moody's, and operates in over 40 global markets of which 16 are in Asia. With a nationwide network of 20 branches, we are one of the largest general insurers in Malaysia.

We know that everything you hold dear has your heart in it. That's why we make every effort to be active, confident, efficient and sincere. We go above and beyond to bring you a wide range of high-quality products and services backed by financial stability, a commitment to service excellence, and global expertise with local knowledge.

A member of MS&AD Insurance Group, MSIG is licensed under the Insurance Act 1996 and regulated by Bank Negara Malaysia.

More details at www.msig.com.my

Whether you are a manufacturer or a trader, the movement of materials or goods is an important part of your business activity. MSIG understands that you have your heart in their safe delivery wherever their destination. That's why we go above and beyond with MSIG Marine Cargo Insurance, not only to protect your cargo, but also to support it with settling claims fairly and promptly.

This Marine Cargo Insurance Claims and Loss Prevention Guide is part of our effort to provide you with a better understanding of cargo insurance and loss prevention.

The claims guidelines described here are intended to serve as a ready reference for simple and straightforward claims. For individual claims that do not comply with the guidelines, please contact us immediately.

Should there be any differences between policy details or features mentioned in this guide and those in your current policy, you should refer to your current policy.

Marine Cargo Insurance Underwriting

Introduction

Marine Cargo Insurance protects goods in transit by sea, air or land against loss or damage caused by a wide range of perils.

In certain circumstances, internationally traded cargo must be insured in order to satisfy the requirements of the bank financing the transaction.

Generally speaking, Marine Cargo Insurance covers goods in transit between two countries or, by air or sea within the same country. However, if required, it can cover goods in transit by road or rail within the same country.

Choosing the Right Insurer

While it is always important to choose the right insurer, it is even more so with Marine Cargo Insurance. You should choose the insurer who can advise you on the best possible package based on your needs and who will take the ultimate responsibility for the way your goods are insured. If difficulties arise, the insurer should be able to provide solutions quickly and with minimal fuss.

MSIG is **No. 1*** in Marine Cargo Insurance in Malaysia. We offer a wide choice of covers at cost-saving competitive rates that are backed by a fast and efficient processing and claims handling system. We also offer loss prevention and risk management services to complement our product.

MSIG offers:

- Cost-saving competitive rates.
- A wide choice of cover.
- Speed and efficiency.
- Loss Prevention and Risk Management services.
- Local contacts throughout the world.
- Fair and efficient claims handling.
- Security and reliability.
- International reputation and expertise.

MSIG has an extensive global network of marine cargo claims settling agents covering the regions of Asia-Pacific, the Americas, Europe and Africa. Kindly contact us if you need further information on our worldwide claims settling agents.

*Source: ISM Statistical Bulletin 2011

Scope of Cover

Marine Cargo Insurance covers cargo whilst in transit and includes storage in the ordinary course of transit.

Almost all marine cargo policies are subject to the terms of the Institute Cargo Clauses. The "Institute" means the Institute of London Underwriters which is a trade body representing almost 100 international insurance companies. The Clauses which are drafted by the Institute are considered to be standard terms of cover for Marine Cargo Insurance and are internationally accepted and understood.

The latest version of the Institute Clauses was made effective from 1.1.2009. These clauses are now widely used internationally. This new version updates the 1982 clauses by using more common everyday language. Some of the coverage has been expanded to suit the present demands of the changing insurance market.

The most commonly used clauses are:

INSTITUTE CARGO CLAUSES (A) OR INSTITUTE CARGO CLAUSES (AIR)
Covers all risks of loss or damage to the cargo.

INSTITUTE CARGO CLAUSES (B)
Covers loss or damage caused by the following perils:

a. Fire or explosion.
b. Stranding, grounding, sinking or capsizing of the ship.
c. Overturning or derailment of the land conveyance.
d. Collision.
e. Discharge of cargo at a port of distress.
f. Earthquake, lightning and volcanic eruption.
g. Entry of sea, lake or river water into the vessel or place of storage.
h. Packages totally lost during loading or unloading from the ship.
i. Jettison.

INSTITUTE CARGO CLAUSES (C)
This is a restrictive cover which is limited to:

a. Fire or explosion.
b. Stranding, grounding, sinking or capsizing of the ship.
c. Overturning or derailment of the land conveyance.
d. Collision.
e. Discharge of cargo at port of distress.
f. Jettison.

All Institute Clauses cover General Average and Salvage.

Marine Cargo Insurance Underwriting (Cont'd)

SPECIAL CONDITIONS

Special Clauses have been drafted for the insurance of certain commodities:

a. Institute Commodity Trades Clauses (A)/(B)/(C) for cocoa, coffee, cotton, fats and oils, hides and skins, metals, oil seeds, sugar and tea.

b. Institute Bulk Oil Clauses.

c. Institute FOSFA Trades Clauses (A)/(B)/(C) for cargoes shipped under The Federation of Oils, Seeds and Fats Associations contracts.

d. Institute Frozen Food Clauses (A)/(C).

e. Institute Frozen Meat Clauses (A)/(A 24 Hours Breakdown) & (C).

f. Institute Natural Rubber Clauses.

g. Institute Timber Trade Federation Clauses.

EXCLUSIONS

a. Wilful misconduct of the Assured.

b. Ordinary leakage or loss in weight or volume, wear and tear of the goods insured.

c. Insufficiency or unsuitable packing or preparation of the goods.
   This exclusion will only apply if the goods were packed or preparation was done by the Assured or their employees or was carried out prior to the attachment of the risk.

d. Inherent vice or nature of the goods.

e. Delay (even if caused by a risk that was insured against).

f. Insolvency of the ship owners/managers/charterers/operators.
   This will apply only if the Assured was aware of the financial circumstances that could prevent the voyage.

g. Radioactive or nuclear risk.

h. Unseaworthiness of the ship only if the Assured is aware at the time of loading of the goods.

Duration of Cover

Cover commences when the goods physically start moving and continues until it comes to a stop at the final destination. You need to refer to the **Transit Clause 8** to get the full definition of the cover.

The wording states that cover commences when the goods are first moved in the warehouse or place of storage (at the place named in the contract of insurance) for the purpose of the immediate loading into or onto the carrying vehicle or other conveyance for the commencement of transit, **continues** during the ordinary course of transit and **terminates** on completion of unloading from the carrying vehicle or other conveyance in or at the final warehouse or place of storage at the destination named in the contract of insurance.

A standard cargo policy allows a maximum of 60 days or 30 days if by air to reach the final destination if there is a second leg voyage from the port/airport of discharge.

Extensions/Special Clauses

INSTITUTE WAR CLAUSES (CARGO)/(AIR CARGO)
Cover loss or damage resulting from war perils whilst the cargo is at sea or in the air. The exclusions are the same as for the Cargo Clauses with the additional exclusion of frustration of the voyage (i.e. no claim is payable if the cargo cannot be delivered or shipped because of a war).

INSTITUTE STRIKES CLAUSES (CARGO)/(AIR CARGO)
Cover loss or damage caused by strikers, rioters, terrorists or person acting from a political motive. Exclusions are the same as for the War Clauses but there is an additional exclusion regarding the shortage or withholding of labour.

The duration of cover is the same as the Cargo Clauses.

TRADE TERMS OF SALE
In the transaction of goods internationally, a seller and buyer will be dealing with people in different parts of the world. It would be convenient if we all have a common understanding on how we should do business to ensure a smooth delivery. The International Chamber of Commerce based in Paris came out with a uniform set of rules in 1936 which governs the trade terms of sales. More commonly known as the Incoterms, it has been through a few versions with the latest in 2010. The Incoterms are used in 90% of world trade and Malaysian trade follows the rules.

The purposes of the Incoterms are to:

a. Divide the cost and risks between the seller and buyer.
b. Set out the basis of responsibility for packing and affreightment.
c. Form the basis for determining the extent of Marine Cargo Insurance required.

With a clear definition of each party's responsibilities, there would be fewer problems in planning and carrying out each other's role in the transaction.

It is necessary to understand the relationship between the seller and the buyer under the different types of contract of sale by referring to the Incoterms.

Marine Cargo Insurance Underwriting (Cont'd)

COMMON INCOTERMS IN USE

There are five basic types of sale contracts which are most commonly used in trade. These are:

A. FOB (FREE ON BOARD)

Let us start with the exporter who sells his goods on FOB (Free On Board). Under the FOB terms, the exporter will not include the cost of marine insurance premium in his quotation to the buyer as the buyer is expected to effect the insurance coverage himself. However, the exporter may be required to effect inland transit insurance cover whilst the goods are in transit from his premises/warehouse to the port of loading. Thus, once the goods are loaded on board the vessel at the port of loading, the exporter will not be responsible for any loss or damage occurred thereafter.

The responsibilities attaching to the seller and the buyer under FOB terms are:

a. The Seller must:
    1. Supply the goods.
    2. Pack them for the transit.
    3. Deliver the goods on board the vessel.
    4. Bear all costs of risks of the goods until such time as they are on board the ship at the port of shipment.
    5. Provide the usual documents as proof of delivery of goods on board the vessel.
    6. Notify the buyer without delay that the goods have been delivered on board the vessel.

b. The Buyer must:
    1. Bear all costs and risks of the goods from the time they are on board the ship at the port of shipment.
    2. Pay the price as provided in the contract.

From the above, it will be noted that item **a.6** requires that the seller must notify the buyer without delay that the goods have been shipped. This is to allow the buyer to arrange an insurance to cover the goods from the time they become at the buyer's risk. The insurance arranged by the buyer would only commence when the goods are loaded on board of the ship. It would not cover from the time they leave the seller's warehouse.

B. CIF (COST, INSURANCE AND FREIGHT)

Under the CIF (Cost, Insurance and Freight) terms, the exporter will quote to the buyer the cost of the goods plus marine insurance for the duration of the journey of the goods until the goods are discharged at the port of destination. The exporter will then assign the marine policy to the buyer so as to protect the buyer for that transit. Buyer can negotiate with the exporter to arrange for the marine insurance coverage up to the final destination or he can arrange a separate marine insurance policy to cover the transit from the port of discharge to his warehouse.

Under CIF terms, the following are the responsibilities attaching to the parties involved.

a. The Seller must:
   1. Supply the goods.
   2. Pack them for transit.
   3. Arrange at his own expense the shipment of the goods to the named port of destination and pay the freight charges.
   4. Bear all the risks of the goods until such time as they are on board the ship at the port of shipment.
   5. Provide at his own expense a policy of marine insurance in terms usual in the trade.
   6. Present the usual documents – Invoice, clean Bill of Lading and Marine Insurance Policy for acceptance by the buyer.

From the above, it will be noted that item **a.4** requires the seller to be responsible for the goods only until they are on board the ship. This provision is the same as in the contract of sale on FOB terms. However, the policy of marine insurance which the seller must provide will protect the seller during the period the goods are at his risk and it will then be assigned so as to protect the buyer for the transit.

C. CIP (CARRIAGE AND INSURANCE PAID TO)

A contract on CIP (Carriage and Insurance Paid To) terms is identical with a CIF contract except that the exporter is responsible for the goods until the goods are delivered to the named destination and then must arrange the marine insurance for the whole duration of the journey of the goods. He will then assign the marine policy to the buyer so as to protect the buyer for the transit.

D. CFR (COST AND FREIGHT)

A contract on CFR (Cost and Freight) terms is identical with a CIF contract except that the responsibility for insurance is upon the buyer and not the seller. The goods are still at the risk of the seller until they are on board the ship and he may choose to insure the goods for that period or he may choose not to. The buyer will arrange insurance as soon as he receives notification of the shipment in a similar manner as under an FOB contract.

E. EXW (EX WORKS)

This places the maximum involvement of the buyer in the arrangement for the conveyance of the consignment to the specified destination. The seller’s duty is to make the goods available by an agreed date at his factory or warehouse. The seller minimises his obligations whilst the buyer obtains the goods at the lowest price. The buyer must have access to the right connections in the seller’s country. Usually, the buyer appoints an agent to handle the collection of the goods, transportation, insurance and documentation arrangements.

Marine Cargo Insurance Underwriting (Cont'd)

RESPONSIBILITY OF ARRANGING FOR INSURANCE

The responsibility of arranging for Marine Cargo Insurance in international trade can be summarised as follows:

	Seller	Buyer
FOB		✓
CIF	✓	
CIP	✓	
CFR		✓
EXW		✓

The Advantages of Importing on FOB/CFR/EXW

When an importer buys on FOB, CFR or EXW, the responsibility of insuring the cargo falls on the importer. By taking control of the arrangement of marine insurance cover, there are considerable advantages to be gained by the importer with little or no extra work.

- **DOUBLE TAX DEDUCTION BENEFITS**
  To encourage the development of marine business in Malaysia, the Government has, in 1982, introduced the double tax relief for premiums incurred on all imports on FOB or CFR or EXW terms where the insurance is taken up with a Malaysian incorporated insurer. In 1995, similar incentives were given to export shipments as well.

- **COMPREHENSIVE COVERAGE**
  Importers can be assured of comprehensive cover at competitive rates locally.

- **FASTER CLAIMS SETTLEMENT**
  Importers are dealing with established insurers locally and claims can be assessed, negotiated and settled quickly; rather than referring back to the overseas insurer.

- **EASY ADMINISTRATION**
  Any extension of cover or amendments can be easily arranged.

- **LOSS PREVENTION TECHNIQUES**
  MSIG can offer practical advice on loss prevention, packing and shipping methods to help customers eliminate losses or minimise their extent.

Note: Please refer to pages 8 and 9 for more information on FOB, CFR and EXW.

The Advantages of Exporting on CIF/CIP

When an exporter sells on CIF or CIP, the responsibility of insuring the cargo falls on the exporter. The following are the advantages for the exporter:

DOUBLE TAX DEDUCTION BENEFITS
Double tax relief for premiums incurred on all exports on CIF or CIP terms where the insurance is taken up with a Malaysian Incorporated insurer.

COST SAVING
Exporters can use the volume of business to negotiate for comprehensive coverage at cost effective rates.

AN ADDED VALUE SERVICE FOR YOUR CUSTOMERS
There is no need for your customers to do anything, as insurers will look after the insurance arrangements on their behalf.

OVERSEAS REPRESENTATION
Claims arising from overseas are dealt by MSIG's offices or appointed representatives on the spot.

Note: Please refer to pages 8 and 9 for more information on CIF and CIP.

Sum Insured

The amount for which goods are insured and which forms the basis of settlement in any claim is generally based upon the following formula:

COST, INSURANCE AND FREIGHT PLUS 10%

This formula is in standard use in international trade practice. If it is used in an Open Cover or Annual Policy, it is referred to as the "Basis of Valuation".

Cost is the value of the goods, usually the invoice value.

Freight is the cost of shipping the goods to the final destination. Often, these charges are included in the invoice price, but this may not always be the case.

Insurance is the premium payable for the particular shipment.

"Plus 10%" is intended to cover extra costs which the Assured may incur when shipping the goods, but which may be difficult to quantify. For example, there are administrative costs incurred by the Assured in ordering the goods and arranging shipment. It is intended to cover the Assured for unforeseen or unquantifiable costs and does not cover loss of profit.

Marine Cargo Insurance Underwriting (Cont'd)

Example:

	RM
Invoice Value (inclusive of cost, freight and insurance premium)	800,000
10%	80,000
Sum Insured	**880,000**

Premium

Premium rates are charged according to MSIG's assessment of the risk. An indication of whether the rate will be high or low will depend on the Underwriting Criteria.

The premium rate is applied to the insured value.

Underwriting Criteria

The amount of information we need before we can quote can be very wide, but it is vital for one very good reason; the more information we have, the better our understanding and the more competitive our premium.

We therefore need full material facts as outlined below. If you have any queries, please contact us.

A. THE GOODS

As much details as possible will help us make a decision, but at the very least, we require a concise description of the goods, i.e. fruits, metal sheets, garments, etc.

B. METHOD OF PACKING

Rough handling is the largest single cause of marine cargo claims. For this reason, we need to know as much details as possible about the packing so that we may assess the likelihood of damage affecting the cargo. Furthermore, as mentioned earlier, the Institute Clauses exclude losses arising from insufficient or unsuitable packing. If we are given full details of the packing, not only can we make a better assessment of the premium, but we may also be able to offer advice on loss prevention.

C. THE VOYAGE

Details of the voyage are important to allow us to assess the risks. The longer the voyage, the more hazardous it may be. Some countries are riskier than others. If the cargo is to be transshipped, we will also need to know about this.

D. METHOD OF TRANSIT

It is very important that we know how the goods will be shipped, by sea, air or land. In many instances, cheaper rates may apply to air transport or certain types of vessels.

For individual voyages, we will need to know the name of the vessel since the age, type and quality of the ship will have a major impact on the likelihood of loss and therefore, in the premium charged.

E. THE AMOUNT TO BE INSURED

For individual shipments, this will be the sum insured arrived at by taking the Cost, Insurance premium and Freight plus 10% which was explained earlier.

For Open Covers and Annual Policies, we need to know the estimated annual turnover for the first 12 months of the cover. In addition, the Open Cover or Annual Policy will be subject to an overall limit of any one shipment. For this reason, we need to know the maximum value of goods likely to be shipped at any one time.

F. CLAIMS EXPERIENCE

We need to know about losses suffered in the past, even if they were not claimed for against an insurance policy. It is best if this information can be obtained for the last 3 or 5 years.

Remember that two clients involved in the same trade may have completely different claims experience because management and quality control are better at one company than another. Only by finding out this information can we make an accurate assessment of the premium based on the performance of a particular client. We may also be able to offer useful advice on loss prevention.

Risk Level	High	↑	Old ship from Malaysia heading towards the United States via Singapore carrying ceramic and porcelain plates
	Low		New ship from Malaysia heading towards Hong Kong carrying plastic containers and plastic plates

Note: The table above shows a comparison of risks involved.

Refer Risks

As an intermediary or direct client, you do not have any authority to quote for or accept marine cargo business. Therefore, any enquiry you receive must be referred to us.

Generally speaking, we are prepared to quote terms for almost any type of cargo or voyage, but obviously, there will be instances when we do not wish to offer terms. However, please do not assume that we will not wish to quote for a particular risk because, as mentioned above, one risk may be completely different from another for a variety of reasons, even if they are in the same trade.

Marine Cargo Insurance Underwriting (Cont'd)

Types of Marine Policies

MSIG offers different covers or policies to suit the needs of different clients.

A. SINGLE POLICIES

These are issued individually for each shipment. They can be full policy documents with appropriate clauses attached or, simple Policies or Certificates of Insurance.

These policies are most appropriate for clients with infrequent shipments.

B. OPEN COVERS

This is a permanent cover which does not need to be renewed. We will automatically cover all shipments falling within the scope of the cover.

There is no fixed sum insured and the value for each shipment is calculated according to the "basis of valuation". Rates are agreed at inception and are shown in the Open Cover. The cover is subject to an overall limit in respect of any one vessel, location or loss, but this limit can be amended if necessary.

As and when goods are shipped, the Assured completes a declaration or issues a Certificate of Insurance and submits it to us. We will calculate the appropriate premium in accordance with the rates set out in the cover and the insurance will be debited accordingly.

Open Covers are most appropriate for clients who have frequent shipments.

C. ANNUAL POLICIES

These are Open Covers but issued for a period of time, usually 12 months. They cover all shipments within the scope of the policy at the rates and conditions set out in the policy.

A deposit premium based on the estimated annual value of shipments is paid at inception and this is adjusted at the end of the year in accordance with the actual value of shipments declared by the Assured.

There is very little administration involved with these policies and they are best suited for clients with a low volume of shipments. They are particularly useful where Certificates of Insurance are not required but, even so, Certificates may still be issued if required.

D. INLAND TRANSIT

In cases where the client transports goods domestically inland using own vehicles or are carried by professional carriers. An annual policy charged upfront can be issued with a set limit.

Business Opportunities

There are plenty of business opportunities in Marine Cargo Insurance. You may have potential clients who are involved in trading or manufacturing who will need insurance for their imports, exports and internal distribution.

Cargo insurance provides the intermediary with the opportunity to have regular contact with clients because of the frequency of marine shipments. In cargo insurance, there is no "annual expiry date" which means you can discuss with your clients at anytime during the year.

Our business focus ranges from small and medium sized industries (SMIs) to large multinational corporations. Intermediaries may wish to concentrate on SMIs where you are in an advantageous position to provide value-added service.

MSIG's Experience in Commodities Covered

Below are some of the commodities where the experience has been favourable to us and of which we wish to expand upon:

AUTOMOBILES
Completely Knocked Down (CKD)
Completely Built Up (CBU)

CHEMICALS
Adhesives
Aerosols
Detergents
Household Chemicals
Palm Oil Products
Petroleum Products
Solvents

CONSUMER GOODS
Cosmetics & Toiletries
Footwear
Household Appliances
Household Goods
Kitchen Equipment
Lighting & Fittings
Pharmaceuticals
Soaps & Shampoos
Stationery

FOODS
Beverages (non-alcoholic)
Biscuits
Confectionery
Non-refrigerated Foods
Sauces
Seasoning & Condiments
Snackfood

LIGHT MACHINERY/ LIGHT INDUSTRIAL GOODS
Agricultural Machinery & Parts
Air Conditioners
Automobile Parts
Bicycles
Compressors
Electrical & Electronic Products
Industrial Materials
Light Machinery
Machine Parts
Medical Equipment
Motor Accessories

METAL PRODUCTS
Aluminium Products
Fabricated Metal Products
Steel & Steel Products

PAPER PRODUCTS
Books
Boxes
Cartons
Newsprint

PLASTICS
Fibre Glass Products
Furniture
Resins
Semi Finished & Finished Plastic Goods
Toys

RUBBER GOODS
Gloves
Rubber Products
Tyres & Tubes

TEXTILES
Clothes
Fabrics
Wearing Apparel

WOODEN PRODUCTS
Furniture (CKD)
Sawn, Moulded Timber (Provided Containerised)
Plywood (Provided Containerised)

Note: Please contact MSIG for further details on other commodities not listed above.

Important Policy Claims Conditions

It is the duty of the Assured and their servants and agents to take reasonable measures for the purposes of averting or minimising loss and also to ensure that all rights against Carriers, Bailees or other Third Parties are properly preserved and exercised.

In particular, the Assured or their servants and agents are required:

- To claim immediately on the Carriers, Port Authorities or other Bailees for any missing or damaged cargo.
- To ensure that all rights against Carriers, Port Authorities or other Bailees are properly preserved and exercised:
  - Serves Notice of Claim to Shipping Agent within **3 days** from date of receipt of cargo.
  - Serves Notice of Claim to Port Authority and Forwarding Agents as soon as possible, preferably within **3 days** from date of receipt of cargo.
  - Serves Notice of Claim to Airline within **14 days** from date of receipt of cargo.
- In no circumstances, except under written protest, to give clean receipts where goods are in doubtful condition.
- When delivery is made by container, to ensure that the container and its seal are examined immediately by the respective personnel.
- To arrange for the Survey Agent named in the policy to conduct a survey. In the absence of any named Agent, the claimant should inform MSIG of the loss or damage.
- To submit all available documents without delay including, but not limited to, those mentioned under the documents checklist in Table 1 (Please refer to page 20).

Claims Procedures

1. A LOSS/DAMAGE IS EXPERIENCED

Upon receipt of loss advice from Assured/Consignee/the settling agents, get details of the type of loss or damage with the policy details.

It is in order for the Assured/Claimant to appoint the survey agents as stated in the policy schedule.

In addition, it would be necessary to notify MSIG of the loss/damage.

2. NOTIFICATION OF LOSS TO MSIG

Upon receipt of your notification, MSIG will further communicate with you in determining if a surveyor is required to conduct a survey of the loss/damage. Otherwise, MSIG may request for further documentation to process your claim.

During the time of notification of loss, the Assured should, where possible, fax/submit the basic supporting documents as per Table 1 (please refer to page 20).

3. APPOINTMENT OF SURVEYORS/ADJUSTERS

Should a survey be necessary, MSIG will make arrangements to appoint the surveyor who will in turn communicate with you in securing the appointment visit.

4. CLAIM NOTICE TO CARRIERS

It is important that the Assured be required to submit a Claim Notice to the relevant parties within the stipulated time frame in preserving the Insurer's interest as well. Copies of the Notices should also be submitted to Insurers.

5. COMPILING AND SUBMITTING CLAIM DOCUMENTS

Further supporting documents specific to the loss/damage may be requested from either the Insurer or the appointed surveyor in which the Assured is requested to co-operate and furnish to further progress the claim process.

Once compiled, you are to submit the requested documents to the requesting parties for further processing.

6. DOCUMENTATION

i. The consignee or the Assured must lodge the claims against all parties involved in the conveyance immediately:

a. The Transport Company.

b. The Packaging Company.

c. The Forwarding Agent.

d. The Shipping Agent.

e. The Port Authorities.

ii. All replies must be obtained and forwarded to MSIG together with the following:

a. Original Policy/Certificate of Insurance.

b. Original Bill of Lading and/or contract of carriage (both sides).

c. Port Authority Inward or Outward Survey Report/Delivery Note/Port Delivery List/ Airline Delivery Order.

d. Ship's Log/Sea Protest.

e. Joint Survey on Board Report/Carrier loading/Discharge Tally sheet.

f. Assured's/Consignee's Claim Bill.

g. Assured's/Consignee's claims against all responsible parties and their replies.

h. Shipping/Supplier's invoice together with shipping specification and/or weight notes.

i. Packing List.

j. Lorry Consignment Note (where applicable).

k. Tally Sheets.

Marine Cargo Insurance Claims Guide (Cont'd)

iii. Dates of arrival/delivery/application for survey

Check the number of days between the date of arrival of the carrying vessel to the date of clearance from:

a. The Ship

b. The Port Authorities

c. The Custom's Warehouse

to determine whether there are unreasonable delays.

Note: Any loss/damage due to delay is not covered by the Policy.

iv. Packing

Check the survey report on the type of packing or the suitability of the packing.

v. Marking

The surveyor will check this against the Bill of Lading, the invoice, the packing list and the policy/certificate to ascertain the correctness of the consignment involved.

vi. Documentation

a. The Policy/Certificate of Insurance

   As the document is assignable and conveys the right to make a claim, insist on the original policy/certificate.

   If the original policy/certificate is misplaced or lost, request for the submission of the Letter of Indemnity whereby the claimant promises to reimburse the Company the claim amount if there is subsequent claim made by another person supported by the original document.

b. Bill of Lading/Consignment Note/Airway Bill

   The Bill of Lading is proof of shipment, proof of receipt for goods on board and proof of the contract of carriage between the carrier and the shipper.

   Always insists on the original copy since the carriers would insist on this when dealing with subrogation recovery claims from insurers.

   Consignment note is issued when cargo is carried by road. This consignment note is signed on delivery and claused to show any damage or shortage during transit.

c. Invoice

   The invoice issued by the seller of goods provide detailed description of the goods. Compare the details with that of the policy and the bill of lading to see if the goods identified in the invoice are those shipped.

   The invoice value compared to the insured value would enable us to determine over-insurance, thus, avoiding paying the claimants more than what was actually shipped.

d. Packing List

   Provides a breakdown of the consignment showing the number of units shipped in each package along with their weights.

e. The Claim Bill

This acts as the Assured's/Consignee's formal claim to insurers and should be presented.

It should contain:

- The claim calculated.
- The survey fees paid by the Assured if applicable.

The correctness of the calculation should be checked against the invoices, the sum insured and the policy terms agreed with the Assured.

vii. Assessment of Claim

Once the Insurer or the Surveyor receives the requested documents, they will then begin to verify and assess the loss before arriving at the final decision as to whether the policy responds and if it does, the final quantum to settle the loss/damage.

In the event that a surveyor/adjuster is appointed, they will in turn submit their final findings for the Insurer's further approval.

Assured should note that should there be any further supporting documents required to finalise the claim, the relevant party will further request and you are to give your utmost co-operation in furnishing the said document requested.

viii. Claims Settlement

Once the Insurer approves the claim submitted, a Letter of Subrogation and covering letter stating the offer amount will be sent to you for your acceptance and discharge.

Upon receipt of the signed Letter of Subrogation by the Insurer, the Insurer will then prepare the settlement cheque to conclude the claim.

Marine Cargo Insurance Claims Guide (Cont'd)

Table 1 – Basic Documents Checklist when Submitting Claim

BY TYPE OF CLAIM/NATURE OF LOSS

		Marine Cargo Import & Export		Inland Transit
No	**Type of Document**	**Damage**	**Shortage/ Non-Delivery**	**Required**
1	Original Policy/Certificate of Insurance	✓	✓	✓
2	Original Bill of Lading or Airway Bill (both sides) / Consignment Note	✓	✓	
3	Commercial Invoice	✓	✓	✓
4	Packing List	✓	✓	✓
5	Claim Bill	✓	✓	✓
6	Pre-shipment survey report	✓	✓	
7	Photographs depicting damage	✓		
8	Independent Survey report (if required)	✓	✓	
9	Forwarding agent delivery order (original)	✓	✓	✓
10	Correspondences holding various parties responsible	✓	✓	✓
11	Extract from Ship Log if bad weather loss	✓	✓	
12	Police report (for motor vehicle accident or hijack)			✓
13	Equipment Interchange Receipt (EIR)	✓	✓	
14	Damage Inspection / Test report (machinery)	✓		
15	Repair / replacement quotation / invoices	✓		
16	QC report on quantities rejected and reasons for rejection (where applicable)	✓		
17	Original Port Integrated Import Document		✓	
18	Port Delivery List or Airline Delivery Order		✓	
19	Port Authority Inward / Outward Survey Report	✓		
20	Carrier Loading / Discharge Tally Sheet		✓	
21	Container Terminal Stuffing Tally Sheet		✓	
22	Unstuffing Tally Sheet		✓	
23	Written confirmation of Non-Delivery from carrier		✓	

Note: The above listing of documents to support a claim is not conclusive as there may be other documents that may be requested depending on circumstances of each claim. You are required to co-operate and furnish the documents when requested.

Answers to Your Frequently Asked Questions

1. **Is the import duty claimable under the policy?**
   The import duty can only be claimed if it is separately insured.

2. **Can the customer keep the cargo in a warehouse at the port after discharge from the ship until required for sale?**
   The customer must clear the cargo immediately since the policy coverage will be terminated once the goods are delivered to the warehouse, unless specifically stated in the policy.

3. **What is CIF?**
   By definition, it means cost, insurance, freight whereby the price of goods includes the cost of goods together with insurance during transit and the freight to the port of destination.

   (Please refer to pages 8 and 9 for more information)

4. **What is FOB?**
   By definition, it means Free on Board. The insurance of the goods in transit will be purchased by the buyer and not the seller. The seller's responsibility ends upon loading the goods on board the vessel.

   (Please refer to page 8 for more information)

5. **What is the difference between the different Institute Cargo Clauses?**
   Coverage in brief:
   ICC (A) – All Risks insurance excluding losses falling within exclusion 4 – 7 of the Clauses.
   ICC (B) – More specified cover (expressed) whereby any risks/perils not specified are not intended for cover.
   ICC (C) – Similar to ICC (B) whereby it is a specified cover but the perils covered are more limited than ICC (B).

   (Please refer to page 5 for more information)

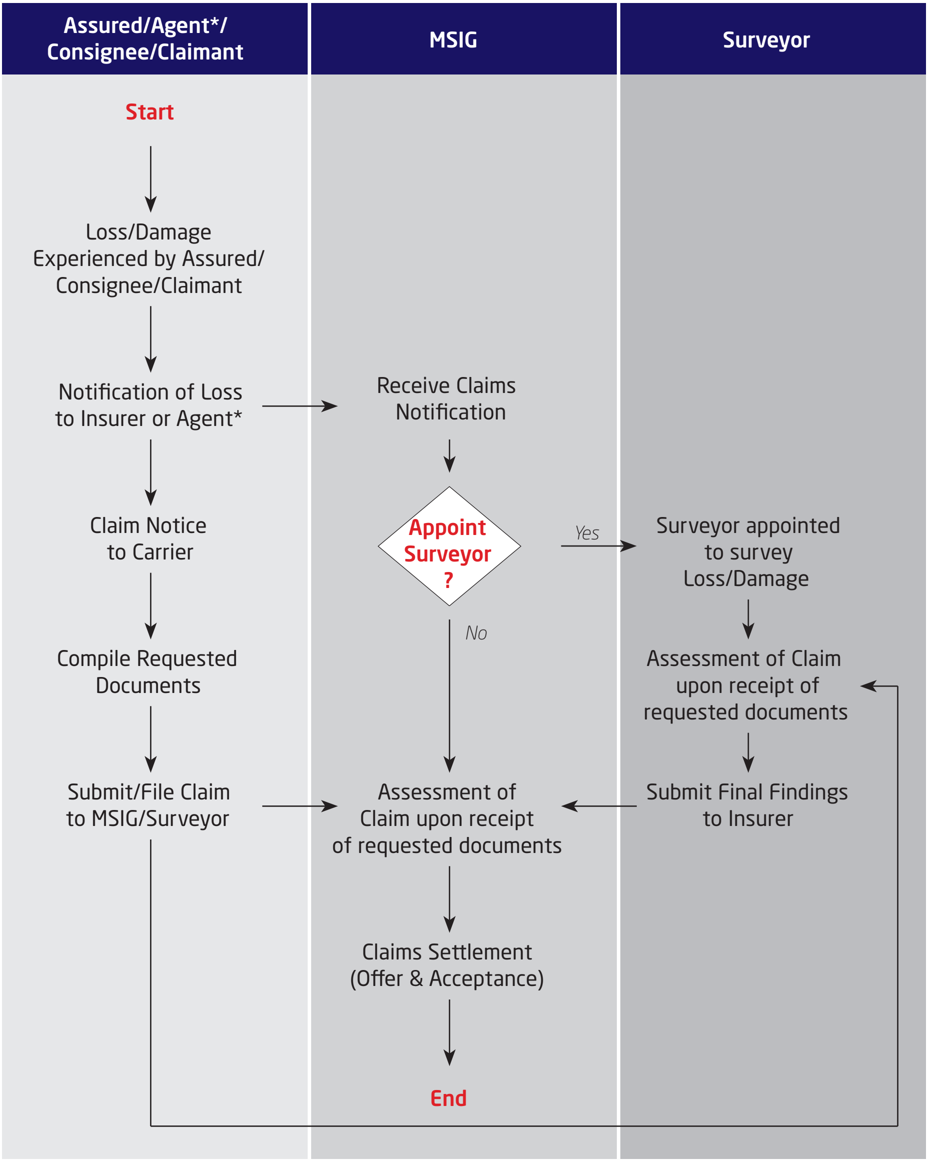
6. **Who has the primary responsibility of proving the loss?**
   The onus of proof lies with the Assured/Claimant.

7. **Who is responsible for recovery or salvage?**
   Primary duty is with you to mitigate and minimise each loss.

8. **Who shall my customer at final destination contact in the event of a loss?**
   Your customer is to contact the nominated survey/settling Agents stated in the Marine Policy or Certificate of Insurance.

Note: This claims guide only serves as a general guide whereby the terms and conditions of each policy will have to be considered when processing each claim. Therefore, this guide is not intended to be a conclusive guide and where any ambiguity or uncertainty arises, the contractual agreement of the policy will be binding or depended upon.

Overall Marine Claims Procedures and Settlement Workflow



* Agent means the stated MSIG Survey/Settling Agent.

Marine Cargo Insurance Loss Prevention Guide

Introduction

Risk control and loss prevention measures will help safeguard your trading relationships with both overseas and local markets.

A successful loss prevention programme will ensure competitive premiums, meeting of production targets and a saving in administrative cost. It will also ensure that you will be able to continue to provide value and remain on top of today's increasingly competitive global business.

Prevention is Better than Cure

The farther goods travel from home, the greater the risk. Should a loss occur, the frustration is not just with the value of the cargo itself – it is also the loss of goodwill and all those extra hours of work, which can never be recovered.

If you take a few simple precautions, mishaps can be kept to an absolute minimum. This will save everybody time and money, and help to sustain your competitive position in the market.

MSIG's Loss Prevention and Risk Management Services

Our services do not end by just providing insurance protection to our customers. We go further than this.

With our in-house loss control resources and our partners we can provide the following services:

- Help you identify the transport hazards you will face. Insurance alone will not protect you from loss of goodwill and your established business reputation. We will work with you to see the exposures and how to overcome them.
- Give you advice on the preparation of your cargo before transit. We can help you minimise theft, ensure safer ways of handling and stowage of cargo, and prevention of wet damage.
- If the inevitable happens and your cargo is damaged, we can investigate the cause of the loss and give you advice on improving your method of transport or the preparation of the cargo.
- We can advise you on vessel selection. The major cause of maritime fraud is the use of dubious vessels. We have resources that allow us to check on the background of vessels and the previous voyages made, thus minimising documentary and "rust bucket" fraud.

Marine Cargo Insurance Loss Prevention Guide (Cont'd)

Safety Symbols

Although cargo handling instructions should always be added in the language of the destination country, it is not unusual for shipments to be handled by another country en route, or by cargo handlers who are unable to read.

To solve these potential problems, the following symbols are accepted as international markings:

Causes of Loss

It always makes a big impact when we read about losses that involve a major catastrophe such as sinking, collision and heavy weather at sea. Such losses can be attributed to the selection of the vessel and the hazards of the sea, which are somewhat beyond the shipper's control. In terms of worldwide losses of cargo, the losses described make up about 20% of the total.

The bigger picture is the often neglected 80% of the losses described below. To a certain extent, these types of losses can be controlled with some effort put in by the shipper.

THEFT PILFERAGE AND NON-DELIVERY

- Burglary and robbery at warehouse or intermediate storage.
- Hijacking of vehicles on the road.
- Hijacking of ships loaded with cargo.
- Using forged documents to take custody of cargo.
- Deliberate mis-routing or non-delivery of cargo.

CONTAMINATION

- Negligent mixing of cargoes during loading/discharge, e.g. chemicals, oils.
- Containers, tanks or pipes with residues of previous cargo.
- Incompatible cargo storage in same container or hold, e.g. foodstuff stored with chemicals.

WATER DAMAGE

- Exposure to rain and sea water.
- Improper preparation of cargo against changing atmospheric conditions.
- Defective containers with holes or damage.
- Condensation from ship or cargo.
- Inundation by water during storage.

BREAKAGE

- Human error due to poor handling.
- Improper use of forklift during loading/discharge.
- Improper packing or preparation of fragile cargo.

FIRE

- Fire at warehouse or on board ships.
- Smoke and resultant damage caused by fire fighting.

Marine Cargo Insurance Loss Prevention Guide (Cont'd)

DETERIORATION

- Breakdown of refrigeration equipment
- Human error in handling equipment
- Delay

Prevention of Loss

You can safeguard against the following losses in the following ways:

THEFT, PILFERAGE AND NON-DELIVERY

- Always use a reputable carrier. Make sure that your cargo is transported via the most direct route.
- If valuable, encode the cargo description and change it regularly.
- Clearly set out delivery instructions using indelible ink. If the country of destination is not English speaking, include an appropriate translation of all directions, together with the appropriate international symbols.
- Complete all documentation accurately and dispatch it promptly. Remember that papers have to meet the requirements of both importing and exporting countries.
- Wherever possible, transport cargo in door-to-door containers.
- Ensure that you and your consignees take prompt delivery of any shipments. Make sure that you provide them with delivery notice, and insist upon advance notice from your suppliers too.
- Avoid second-hand packaging. Previous nail holes and strap marks make it difficult to detect if pilfering has occurred en route.

CONTAMINATION

- If at all likely to occur, make sure that the transporters know, and take steps to avoid it.
- Check containers for previous cargo residue, both visually and by smell.
- If your product is likely to contaminate other cargo, notify all parties responsible for shipping.

WATER DAMAGE

- Check containers for sign of holes or damage. Containers get damaged through usage. If possible, conduct waterproofing test.
- If necessary, use desiccants (moisture absorbents), corrosion inhibitors or waterproof wrappings.
- Cover cargo on top and sides with waterproof material. Rest cargo on skids or pallets to keep it above collected drainage.
- Ensure that crates and other large containers have drainage holes in the bottom for collection of water within the packing.

BREAKAGE AND OTHER DAMAGE

- Shifting instructions should be clearly marked on at least three surfaces. If cargo has an unbalanced weight distribution, make sure that the centre of gravity is clearly marked, together with lifting and slinging points.
- Containers should be able to withstand a 40-degree roll. Avoid spare space in packaging as it allows the cargo to shift. Pallets should be correctly stacked to avoid collapse.
- If a product is fragile, make sure that this is clearly indicated on its packaging.
- Supervise the loading and stowage of large, awkward objects by surveyors.
- Do not exceed the rated capacity of the box, crate or container.
- Use cautionary markings both in English and in the language of the country of destination. Use the international pictorial markings.
- Unitise, palletise or assemble cargo into the largest practical unit. The size must be consistent with handling, weight and dimension limitation at transhipment point and destination.

Containerised Cargo and Loss Prevention

Containerisation is a method of distributing cargo in a unitised form. In view of its standardised sizes, it allows an intermodal transport system to be developed. The same box of cargo can be transported by a combination of road, rail, canal and sea.

VARIOUS ADVANTAGES IN THE FORM OF LOSS PREVENTION CAN BE OBTAINED THROUGH CONTAINERISATION:

- No handling of cargo at transit points and intermediate points means quicker transits and less risk of cargo damage and pilferage.
- It allows cargo to be packed by the suppliers and arrives to be unstuffed by the final consignee.
- Less packing needs, e.g. tanks.
- Container structure protects the cargo inside.

SOME RULES FOR LOSS PREVENTION WHEN USING CONTAINERS:

- Select the right type of container for the goods.
- Inspect the container to ensure it is in good condition. Check for any leaks.
- Pack goods to withstand the most extreme part of the voyage.
- Avoid mixing incompatible cargo.
- Stow and secure the goods in the container to prevent movement and damage to the goods.
- For ventilated cargo, ensure airflow is unrestricted and air vents are open and clear.
- Document the container contents.
- Record the container and seal numbers on shipping documents.
- Cover cargo adjacent to doors with waterproof materials to protect cargo from water ingress through door gaskets.
- Lock and seal the container.

Using a Freight Forwarder

These days many organisations do not get directly involved in the processing and movement of goods. They leave it in the good hands of a freight forwarder.

The standard of professionalism and services provided by the freight forwarder can vary a great deal. When you look around you can find that it ranges from the small one-man operator whose only equipment is a cell phone and a small lorry to the large international freight forwarder. Appointment must not depend on price but on the value which they will bring. To avoid unnecessary pitfalls, consider some of the points listed below when selecting the person to handle your valuable cargo, also taking into consideration the value and complexity of your cargo movement.

You must ensure that the freight forwarder has the following:

1. **ADEQUATE WAREHOUSING AND TRANSIT FACILITIES**
   You must be concerned where your cargo is temporarily stored. Will it be protected from the weather or theft? Will proper lifting equipment be used?

2. **SUFFICIENT VEHICLES**
   You have to consider whether there are suitable and sufficient vehicles put at your disposal.

3. **QUALIFIED AND EXPERIENCED STAFF**
   Just as in any organisation, the quality of staff employed is important for success. This is vital for speed and reliability.

4. **NETWORK OF BASES OVERSEAS ABLE TO HANDLE YOUR CARGO**
   A good freight forwarder has offices or has reputable representatives at places where your cargo is coming from or going to.

5. **EDP NETWORK OF SYSTEM TO TRACK YOUR CARGO**
   With today's advancement in information technology, your freight forwarder must be able to provide facilities for you to track your cargo on-line.

Selecting the Vessel

After preparation of your cargo for the intended voyage, the cargo is ready to be shipped off. When you import on FOB terms or export on CFR or CIF terms, under rules of the INCO terms, you arrange the ship. You are in a position to select the ship and you must choose one which can safely carry your cargo to its destination.

Below are some key fundamentals to consider when selecting the ship:

AGE OF THE SHIP

Statistics have proven that the older ship has a higher tendency to break down or, in the worst case, sink. It is a fact that ships are designed with a limited working life before it becomes destined for the scrap yard. It is common to find that freight on the older ship will be cheaper. People will take this way to save on shipping cost. As a general rule insurers express caution when ships exceed 15 years old and they may apply an overage surcharge on the cargo premium.

CLASSIFICATION OF THE SHIP

Look for the Classification of the ship. Membership will ensure that the ship's construction and seaworthiness comply with a high standard. The people who determine the rules are the Classification Societies. The rules define the dimensions of the ship's structures. To retain the Classification assigned to the ship when it was built, it is necessary for the ship to undergo and pass a special survey every four years.

The major shipbuilding countries like USA, UK, Norway, Germany, China and Japan have their own Classification Societies. Generally, a ship belonging to a Classification Society is in a better condition. Coastal and older ships usually do not belong to any Society as it is quite costly for the owners to maintain their vessels up to the standards required by the Classification Societies.

FLAG AND REGISTRATION

Standards and requirements for registration can vary from country to country. Some see a need to ensure that ships do meet a certain standard while others see it as providing a "flag of convenience". Needless to say, most of us should be able to spot the difference.

LINERS VERSUS TRAMPS

Liners ply on a regular schedule service between ports. They sail on scheduled dates whether they are full or not. A liner company is made up of a number of ships with back-up services on shore. The liner company tends to be a large concern and some tend to belong to countries as their national carriers.

The tramp or general trader does not operate on a fixed sailing schedule but trades in all parts of the world in search of cargo. They carry mainly bulk cargoes such as grain, timber, fertilizers, sugar and ores in complete shiploads. Tramp companies are much smaller than liner companies. Tramps are usually ships for hire or charter.

CHARTERED SHIPS

Generally chartered ships present a bigger risk. They tend to be generally of inferior tonnage. The charterer who has contract with the cargo owners has no direct control over the management and maintenance of the ship. Recovery prospects are in question as shipowners and charterers are known for pushing the blame to one another, depending on their charter party contracts and the terms of the relevant bills of lading.

The Phantom Ship

This is something which is common within the Asian countries, and people become victims when caught off-guard.

Phantom ships are usually stolen vessels registered with false information given to authorities that do not ask too much.

With this false identity and using bona fide agents, these ships arrange to pick up cargo and just disappear. The ship then changes name before picking up fresh cargo from some other unsuspecting shipper.

Cargoes of high value and which can be easily disposed off, for example palm oil, textiles, resin, rubber, steel and timber, are targets.

In our region the International Maritime Bureau (IMB) has made extensive research and is regarded as the foremost authority on this subject. Below are some of the characteristics described by the IMB as a possible phantom ship.

The ship used:

- Is generally over 15 years old.
- Is unclassed.
- Is under a flag of convenience, e.g. Honduran, Panamanian, Belize, St. Vincent.
- Does not have Hull & Machinery insurance.
- Does not have Protection and Indemnity cover.
- Has unknown recent or previous voyages.
- Charges lower freight than current market rates.

Our advice to exporters and importers with shipment involving a chartered vessel is to get full details to determine its identity.

MSIG can check into the background of the vessel if you find it to be suspicious. The service will be rendered at no extra cost to you.

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For more information, please call MSIG or contact your Insurance Adviser at:

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MSIG Insurance that sees the heart in everything

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