ICNZ Insurance Council of New Zealand

MARINE CARGO OPEN POLICY HANDBOOK

CONTENTS

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01. INTRODUCTION

Marine insurance is concerned with insuring vessels, cargoes and related marine liabilities. The premium income of the New Zealand marine cargo insurers is an important contribution toward the New Zealand balance of payments and represents one of the few 'invisibles' in international trade where the services involved in importing and exporting cargo can be wholly provided from within New Zealand.

The demand for marine cargo insurance closely follows the trading pattern of the New Zealand economy. It covers many risks associated with exporting primary produce and importing agricultural related goods, raw materials for manufacturing, manufactured goods and consumer items.

The strength of a marine insurance market is measured by the skills and judgment of experienced underwriting personnel and the capacity to insure a broad range of risks. New Zealand is at one end of some of the world's longest trade routes. Our economy is totally reliant on this trade to sustain the standard of living enjoyed by New Zealanders. Such trade requires the best in supporting services such as insurance, banking, transportation and communications. We believe it is essential for New Zealand to continue to have and maintain a strong and substantial marine insurance market.

Anyone who is at risk of suffering a financial loss should cargo be lost, damaged or destroyed - or who would benefit from the safe arrival of the cargo - has an insurable interest and a need for cargo insurance.

There are centuries of tradition, trade practices, maritime and international commercial law that affect international trade and marine insurance. Cargo insurance is one of the earliest forms of insurance. There are newer developments too: higher but different national hygiene standards, trade sanctions, digital documentation, containerisation and large container ships.

Cargo insurance protection enables merchants to proceed with greater confidence. In most cases the cost of marine insurance is nominal when compared with the value of the goods and the freight cost.

The Insurance Council of New Zealand is an industry association whose membership includes most of the major insurance companies in New Zealand writing marine insurance.

02. WHAT IS A MARINE CARGO OPEN POLICY?

A marine cargo open policy is the agreement between a merchant and an insurance company to insure all goods in transit falling within that agreement for an agreed period or even indefinitely until the agreement is cancelled by either party. The policy is 'open' in so much as goods meeting the agreed description are automatically insured while in transit to and from New Zealand without the need to notify the insurer of each shipment's details.

The policy specifies:

1. Who is insured, and the insurers are.
2. The general description of the goods.
3. The countries or places to or from which the goods will be insured.
4. The maximum value payable under the policy.
5. How the goods will be valued.
6. The conditions of insurance.

The merchant agrees to declare details of all shipments falling within the scope of the policy, and the insurance company agrees to insure such shipments, according to the terms and conditions of the policy. This includes a general description of the goods, which can be either narrow or broad in scope.

Usually an open policy has maximum limits per cargo sending. There may be two limits – per vessel, and per location. Some terminology may be confusing: the per vessel limit may be described as the 'Bottom Limit' which is a traditional phrase meaning the ship's bottom or its hull, so it is in fact the highest limit the insurer is expecting to be on any one ship! More frequently, due to this confusion, the per vessel limit is referred to as the 'conveyance limit,' which includes transits by air and by land.

The per location limit refers to the highest value to which an insurer is exposed at any one place during the transit. Transit is when the cargo is not within the direct and effective control of either the seller or the buyer, whilst it's in the transportation chain in the custody of carriers. Marine insurance generally ends when the cargo has been delivered to storage on arrival and its transit is complete. The cargo should then be insured under a material damage policy as an item of stock.

03. INCOTERMS EXPLAINED

Some of the many important issues that should be addressed in every transaction involving the sale of goods are:

- Which party to the contract of sale is to arrange marine insurance protection?
- When does cargo risk transfer from seller to buyer?
- How much insurance cover should there be?

To facilitate trade, common contract conditions are published by the International Chamber of Commerce (ICC). Incoterms rules are not a complete contract of sale. Incoterm rules, when incorporated into an international transaction,

> "*do say which party to the sales contract has the obligation to make carriage or insurance arrangements, when the seller delivers the goods to the buyer, and which costs each*

party is responsible for. Incoterm rules, however, say nothing about the price to be paid or the method of its payment. Neither do they deal with the transfer of ownership of the goods, or the consequences of a breach of contract. These matters are normally dealt with through express terms in the contract of sale or in the law governing that contract ..."
Incoterms 2010, ICC

Incoterms are widely known and accepted, but may be subject to different practices and interpretations in different parts of the world. The ICC currently revises the Incoterms on a ten year cycle, so it is important to stipulate the date of the Incoterm used (e.g. CIF 2010) as there can be important changes made as trade and transport methods change.

Choosing the right Incoterm is vital. The most common error is to choose Free On Board (FOB) or Cost Insurance and Freight (CIF) where the goods are not moving by sea to or from New Zealand.

04. TERMS OF SALE: 2010 Incoterms

The chosen Incoterms rule can only work if the parties name a place or port, and will work best if the parties specify the place or port as precisely as possible. The ICC's 2010 Incoterms booklet gives an example:

"FAC 38 Cours Albert 1er, Paris, France, Incoterms® 2010"

Under EXW, FCA, DAT, DAP, DDP,FAS* and FOB, the named place in the Incoterm is where delivery takes place, and where risk passes from seller to buyer.

Under CPT, CIP, CFR and CIF*, the named place is the place of destination to which carriage is paid, and is a different place to the place of delivery.

What can be confusing is that the ICC's use of the term 'delivery' differs from the Institute Cargo Clauses.

Delivery in the Incoterms means when the risk of loss or damage to the goods is transferred from the seller to the buyer. This may or may not coincide with a delivery by the seller's carrier to the buyer's nominated carrier, and it usually occurs whilst the goods are 'in the ordinary course of transit' i.e. outside of the direct immediate control of the seller and buyer. Marine insurance is assignable, so if it is arranged by the seller its benefits can transfer to the buyer (i.e. the buyer can claim) if loss or damage occurs after risk transfers (see 'risk in the goods' below).

Under the Institute Cargo Clauses, delivery occurs when the goods are released from the 'ordinary course of transit' into the buyer's control. Under CIF, for example, the seller delivers (in terms of the CIF Incoterm) when the goods are placed on board the vessel at port of export. The seller, though, has contracted to pay for the goods to be carried to a named place of destination, which may the import port or a place further inland. The goods are delivered (in terms of the Institute Cargo Clauses) on delivery to the buyer's final warehouse or place of storage, or a place nominated by the buyer. The Institute Cargo Clauses are broad enough in duration to be able to cover, in the one contract, both periods where first the seller and the buyer is at risk during the 'ordinary course of transit'.

* See pages 12 and 13 for definitions of Incoterms Types

As this can be confusing, it is vital that the insurance arrangements agreed by the seller and buyer in the contract of sale set out when insurance cover starts and ends. The marine insurance certificate also states the port of loading, the port of discharge and the final destination. If the paperwork is unclear, the point at which the marine insurance ends can be contentious.

The Incoterms only require a base level of insurance to be purchased by the seller on behalf of both parties, if the sales contract remains silent on this issue. Under a CIF 2010 Incoterm, for example, this is Institute Cargo Clauses (C), which give nominated risks insurance cover only. The insurance requirement is commonly negotiated in the commercial sales contract to a higher level, for example, an all-risks cover such as Institute Cargo Clauses (A).

05. RISK & TITLE

'Risk' and 'Title' are two different and separate concepts:

Risk 'in the goods' – when the goods reach the delivery point in the Incoterm, risk transfers from the seller to the buyer. Under a CIF 2010 sale this is when the goods are on board the vessel at the port of export. Before this point, if the goods are lost or damaged, the seller can claim on the insurance. After this time the buyer must pay for the goods, even when the goods have not reached them yet, and recover their loss from marine insurance.

Title i.e. legal ownership of the goods transfers when the buyer and specifically the seller intend it to transfer. Usually this is set out in the parties' contract of sale. This may be a stipulated number of days after delivery to the buyer at the final destination, or once full payment has been made by the buyer's bank. Sellers generally try to defer the transfer of their legal ownership until they (or their bank) have the money or an irrevocable commitment from a bank to pay. Much depends on the trading relationship between seller and buyer, the length of time they have been trading, and their size (or relative size).

06. ADVANTAGES OF A MARINE CARGO OPEN POLICY

- Pre-arranged cover at pre-arranged pricing and insurance conditions
- Open policies can be highly tailored to suit an exporter's individual needs. Cover can be wider than the cover negotiated in any individual contract for the sale of goods
- The exporter can integrate the issuing of insurance certificates within their export documentation processes, with cover that expressly matches the required terms of a letter of credit
- Automatic insurance protection starts from the moment goods are within the period stipulated in the Duration Clause, and this can include a period of transit prior to an international sale. For example, raw materials can be covered for local transit to the exporter
- Losses are covered even if they occur before details of the shipments have been given to the insurer
- The policy remains in force indefinitely until cancelled, usually by either party giving thirty days notice of cancellation.

- However, it is unusual for the open policy to not stipulate a annual review date. Note though that insurers reserve the right to withdraw War Risks cover following a notice period.
- The cost of insurance is usually lower than if separate policies are arranged, and an open policy avoids the need to arrange separate policies for each shipment. Administration costs are minimized.

The method of premium payment can be tailored to the customer's needs: annual adjustable; quarterly; or monthly declaration. A single annually adjustable premium on sales or turnover volumes are the most common.

07. IMPORTANT MARINE CARGO OPEN POLICY TERMS

Per Conveyance / Per Vessel / Bottom Limit
This states the maximum amount for which an insurer will be liable in the event of a claim event whilst the goods are in the ordinary course of transit. It must be a figure larger than the usual value of a shipment. A common rule-of-thumb is that the policy limit is at least 2x the size of a large shipment, as there is a possibility of two shipments being sent in the same conveyance, or arriving at destination on the same conveyance after a delay etc. The term 'Bottom Limit' is an ancient phrase that refers to a 'ship's bottom', i.e. its hull. The term 'Conveyance Limit' is more commonly used now, as it can refer to different modes of transport: by road, rail, by air etc.as well as by sea.

Location Clause
This clause limits the maximum amount payable from one claim event occurring in one location, whilst the goods are in the ordinary course of transit. Care needs to be taken when considering this limit, if there is an accumulation of value at any point along the transportation chain.

Classification Clause
The type or age of a ship is important when fixing the rate of premium. However the names of ships carrying goods are not usually known when fixing premium rates for a marine cargo open policy.

This clause provides that the pre-agreed premium rate for the marine open policy refers to goods in transit in ships under a certain age and up to a certain Standard/Class. The most recent London market Classification Clause (2001) stipulates that the general cargo vessels carrying our exports and imports from NZ must be classed with a mainstream Classification Society and be no older than 25 years old. An additional premium may be payable for transits on other ships. For almost all NZ exporters and importers shipping containerised product on containerships on regular calling patterns, this clause should be of no concern.

The clause has its origins in the second half of the 18th century, when London underwriters required an independent assessment of the fitness for purpose or seaworthiness of a ship carrying insured cargo. Today there are 12 member societies from around the world that assess more than 90% of the world's cargo carrying tonnage.

The Classification Clause applies only to transits by ships by sea or inland waterway. It does not apply to barges or lighters in ports, nor to aircraft or land transport.

Basis of Valuation
Commercial shipments are normally insured on the basis of the invoice value plus all transit and other known costs, plus a percentage to cover hidden costs and a proportion of the buyer's expected profit. This is a pre-agreed calculation. An Agreed Value is often preferable to its alternative of Market Value because, at the time of a claim, there is a known formula and market value is often difficult to determine with any accuracy. A standard formula for dry general cargo is the invoice value plus the costs of insurance & freight plus 10%, usually abbreviated to CIF+10%. On items with a traditionally higher mark-up, the percentage uplift is usually higher: CIF+25% is not uncommon in these circumstances. Note though that this valuation will also be used by the insurer when setting the insurance premium, as it relates directly to the amount to be paid in a claim for a total loss.

It is common for policies to have different Bases of Valuation for different commodities, and for exports and imports.

08. PERIOD OF INSURANCE

With an Open Cover in place, an exporter is authorised by the insurer to issue certificates of insurance to meet obligations to arrange insurance for both seller and buyer in a contract of sale. For NZ imports and exports, the form and scope of insurance is almost always the Institute Clauses, which originate and are maintained by the London marine insurance market. The Transit Clause of the Institute Cargo Clauses of 2009 states:

Transit Clause

8.1 Subject to Clause 11 below, this insurance attaches from the time the subject-matter insured is first moved in the warehouse or at the 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 either

8.1.1 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,

8.1.2 on completion of unloading from the carrying vehicle or other conveyance in or at any other warehouse or place of storage, whether prior to or at the destination named in the contract of insurance, which the Assured or their employees elect to use either for storage other than in the ordinary course of transit or for allocation or distribution, or

8.1.3 when the Assured or their employees elect to use any carrying vehicle or other conveyance or any container for storage other than in the ordinary course of transit or

8.1.4 on the expiry of 60 days after completion of discharge overside of the subject-matter insured from the oversea vessel at the final port of discharge, whichever shall first occur.

8.2 If, after discharge overside from the oversea vessel at the final port of discharge, but prior to termination of this insurance, the subject-matter insured is to be forwarded to a destination other than that to which it is insured, this insurance, whilst remaining subject to termination as provided in Clauses 8.1.1 to 8.1.4, shall not extend beyond the time the subject-matter insured is first moved for the purpose of the commencement of transit to such other destination.

8.3 This insurance shall remain in force (subject to termination as provided for in Clauses 8.1.1 to 8.1.4 above and to the provisions of Clause 9 below) during delay beyond the control of the Assured, any deviation, forced discharge, reshipment or transhipment and during any variation of the adventure arising from the exercise of a liberty granted to carriers under the contract of carriage.

It is important to note that the various points at which cover can cease. An important concept to bear in mind is "in the ordinary course of transit". In the Institute Cargo Clauses this is the period when the cargo is in the transportation system, and not in the immediate control of either buyer or seller. Usually this period is close to the duration of cover contemplated by the marine Institute Clauses. The Assured (often the buyers by this stage, as the risk in the goods has transferred them, because the goods have landed in the country of import) could instruct the carrier to hold the goods temporarily at the import container terminal whilst they make room in their warehouse – and from the time of that stoppage, the marine insurance ceases (as per 8.1.2) unless some extension of cover is sought from the insurers. Otherwise, the marine cargo insurance has ended, and a period of cover suitable for stock under a Property material damage policy covering stock has commenced.

In the case of specific Institute Cargo and Commodity Clauses (for example Frozen Food Clauses and Meat Clauses), attachment and expiry dates may differ. It is important that attachment and expiry dates are assumed only after consulting the relevant Institute and Commodity Clause.

To recover a loss under a marine cargo policy, a person must have insurable interest at the time of loss, though the interest may not have existed when the insurance was arranged. This allows subsequent buyers of the cargo to claim on the marine insurance, if the cargo has been traded whilst still in transit

09. WHAT RISKS CAN BE COVERED?

A variety of risks can be covered but the most common and widest are the Institute Cargo Clauses (A) which cover loss or damage to goods on an All Risks basis, but which are subject to certain standard exclusions.

In addition, War Risks (while on board a seagoing vessel or an aircraft) and physical risks of loss or damage as a result of Strikes, Riots and Civil Commotions may be insured. The War and Strikes risks are rated from an agreed scale to which all insurers are bound.

The risks insured are defined in sets of conditions called the Institute Clauses. These are issued by the Institute of London Underwriters. They are understood globally and are used widely.

7.1 Some types of loss are not insured. The main exclusions are loss or damage caused by:

- Willful misconduct of the insured (the merchant)
- Ordinary leakage, loss in weight, wear and tear of goods
- Insufficient packing, inadequate stowage in a container, inherent vice, or goods deterioration caused by delay
- Insolvency or financial default of the owners, managers and so on, of the vessel.

7.2 Deck cargo, other than goods in containers on container ships, is covered against certain named risks as opposed to the wider conditions of the Institute Cargo Clauses (A)

As many types of Institute Clauses are available, so a marine cargo open policy can be tailored to suit your needs.

10. POLICY EXTENSIONS

The following additional covers can be considered to give the exporter some additional cover under an Marine Open Policy:

1. Expediting Expenses
2. Removal of Debris
3. Advance loss of profits (machinery transit)
4. Strikes Diversion Expenses
5. Sellers interest (FOB exporter)
6. Difference in Conditions clauses (CIF importer)
7. Returned goods
8. Duty

This is not a complete list. Your insurance advisor can provide you with more information.

Expediting Expenses are perhaps the most valuable additional cover under a Marine Open Policy. They allow for the costs of a replacement cargo to be sent quickly – 'expedited' – to replace a damaged or lost cargo. Often the true tragedy in a marine casualty is not the loss of cargo – it's losing that customer to competitors through a failure to supply.

Debris Removal grows in importance, as the costs of disposing of damaged cargo rises.

11. PREMIUMS

LOWER PREMIUMS THROUGH DEDUCTIBLES

Savings can be made on imports premiums if a merchant agrees to a small deductible on the policy, so that minor losses are not claimed against the open policy.

Deductibles are uncommon on export Marine Open Covers because of the difficulties inherent with transfers of risk and title from seller to buyer.

CHARGING PREMIUMS UNDER MARINE OPEN POLICIES

When details of shipments are being declared to the insurer on a regular basis, the insurer usually charges premiums monthly, based on the received declarations.

In many cases the premiums may be charged annually. This method usually applies to the insurance of goods in transit within New Zealand, where the merchant estimates the value to be insured for a twelve month period. A deposit premium is charged, calculated on this estimate and an additional/ return of premium adjustment made at the end of twelve months, calculated on the declaration of the actual value of transits made by the merchant's accountant.

12. ADVANTAGES OF INSURING IN NEW ZEALAND

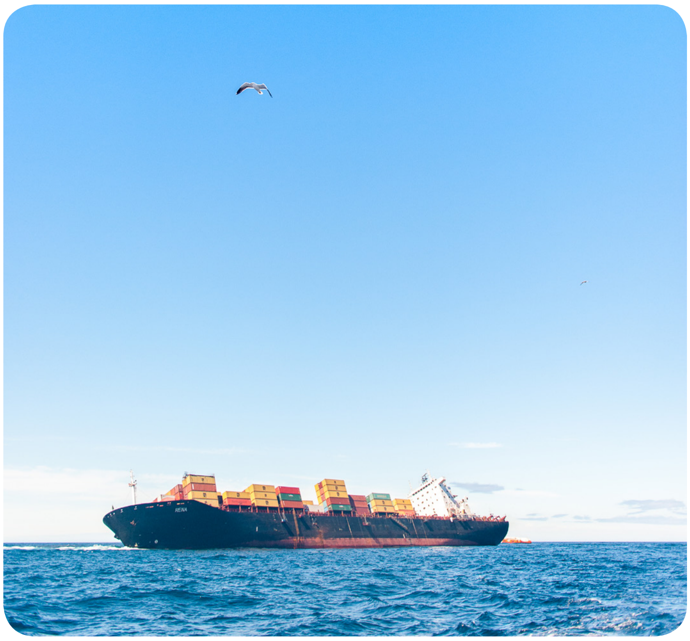
11.1 Reduced currency risk
New Zealand importers do not have to pay additional overseas funds if they insure the goods. However, if goods are insured by the seller, this increases any exchange rate risks.

11.2 Efficient Claims Service
Insurance companies usually have branches throughout New Zealand as well as a network of branches and agents around the world. No matter where a claim occurs, your insurer (or insurance agent) is there to assist and settle claims swiftly.

If you ever have to make a claim, you deal with your insurer, not the agent of an overseas insurer. Some overseas insurers do not have agents in New Zealand and you must apply directly to the overseas insurer for settlement.

12.3 Tailored Policies
Your insurance policy can be tailored to suit your individual needs. The conditions of insurance policies arranged overseas may not fully cover your needs, leaving a shortfall in protection.

12.4 Competitive Rates
If arranged off-shore, insurance rates may contain additional hidden costs loaded by the seller. A local insurer can provide you with a competitive quotation for a Marine Cargo Open Policy.



12.5 Getting to know your Marine Insurer
There is no better time to ask questions than during a one-on-one meeting. Also, it's good to meet and talk to the insurer's local Claims personnel before there's a claims issue.

How to get started:

First, talk to an insurance adviser. Most marine insurers are not set up to deal with the public directly, who instead have working relationships with insurance brokers. The best method to begin that conversation is to complete an insurer's Proposal form for Cargo insurance, which succinctly requests most of the relevant information.

Insurers usually accept other companies' Cargo Insurance proposal forms as a first step.

13. IMPORTANT INFORMATION

About Non-Admitted Marine Insurance Affecting Many International Jurisdictions

Non-Admitted Marine Insurance Affecting Many International Jurisdictions

Not all countries allow foreign insurers to operate without restriction within their borders. There are various reasons ranging from political to economic issues and sometimes they are because of imposed sanctions from other countries or The United Nations.

Their can be significant fines and penalties for insureds, there brokers and insurers for issuing insurance covers for risks in some international jurisdictions.

For marine insurance, these are the common categories of restrictions:

- Forbidden for the seller to insure exports abroad
- Forbidden for the buyer to insure imports abroad
- Forbidden for the seller to export on a FOB basis
- Forbidden for the buyer to import on a CIF basis
- Special taxes, extra charges
- Currency restriction
- Restricted cargo (for example, petrochemicals, hardwoods, or military equipment, but generally not food or humanitarian aid).

For exporters and importers, your NZ insurer and or Broker will assist to the extent it is legal for them to do so. One issue is that there is not currently an international central register of such restrictions. Nevertheless anyone shipping goods internationally should be aware that not all overseas transits or overseas risks can be insured from here in New Zealand.

In this area of overseas restrictions and sanctions, an exporter or importer should first consult with NZ's Ministry of Foreign Affairs and Trade.

14. INCOTERMS TYPES

Seller
Buyer

All transport types

<table>
<tr><th></th><th>Who is responsible for the costs of:</th><th>Inland freight in country of export</th><th>loading on the transport</th><th>Ocean/Air freight</th><th>Export Insurance</th><th>unloading from the transport</th><th>Inland freight in buyer's country</th><th>Import duties / taxes</th><th>Where does Risk pass?</th></tr>
<tr><td>EXW</td><td>Ex Works</td><td colspan="7">The seller delivers when the goods are placed at the disposal of the buyer at the seller's premises or at another named place (e.g. works, factory, warehouse). The seller does not need to load the goods on any collecting vehicle for the buyer, nor does the seller need to clear the goods for export</td><td>Seller's Premises</td></tr>
<tr><td>FCA</td><td>Free Carrier</td><td colspan="7">The seller delivers the goods to the carrier nominated by the buyer at the seller's premises or another named place. The parties should clearly specify the point within the named place of delivery, as the risk passes to the buyer at that point</td><td>Named carrier at named point of origin</td></tr>
<tr><td>CPT</td><td>Carriage Paid To</td><td colspan="7">The seller delivers the goods to the seller's nominated carrier at an agreed place. The seller contracts and pays for transport to carry the goods to the named destination</td><td>When delivered to first carrier at origin</td></tr>
<tr><td>CIP</td><td>Carriage and Insurance Paid to</td><td colspan="7">The seller delivers the goods to the seller's nominated carrier at an agreed place, and also contracts and pays for transport to carry the goods to the named destination. The seller also purchases insurance from point of delivery to named destination. CIP has two critical points, as risk passes and costs are transferred at different places</td><td>When delivered to first carrier at origin</td></tr>
<tr><td>DAT</td><td>Delivered At Terminal</td><td colspan="7">The seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at the named port or place of destination. "Terminal" includes a place, whether covered or not, such as a quay, warehouse, container yard or road, rail or air cargo terminal. The seller bears all risks involved in bringing the goods to and unloading them at the terminal at the named port or place of destination</td><td>At named terminal or named port at named destination</td></tr>
<tr><td>DAP</td><td>Delivered At Place</td><td colspan="7">The seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. The seller bears all risks involved in bringing the goods to the named place</td><td>At the named destination</td></tr>
<tr><td>DDP</td><td>Delivered Duty Paid</td><td colspan="7">The seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport ready for unloading at the named place of destination. The seller bears all the costs and risks involved in bringing the goods to the place of destination and has an obligation to clear the goods not only for export but also for import, to pay any duty for both export and import and to carry out all customs formalities</td><td>At the named destination</td></tr>
</table>

INCOTERMS

Seller
Buyer

Only transport by inland waterway or ocean: two ports

	Who is responsible for the costs of:	Inland freight in country of export	Vessel loading	Ocean/Air freight	Export Insurance	Vessel unloading	Inland freight in buyer's country	Import duties / taxes	Where does Risk pass?
FAS	Free Alongside Ship	The seller delivers when the goods are placed alongside the vessel (e.g. on a quay or a barge) nominated by the buyer at the named port of shipment. The risk of loss of or damage to the goods passes when the goods are alongside the ship, and the buyer bears all costs from that moment onwards							Alongside vessel in port of export
FOB	Free On Board	The seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onward							When goods are on board the vessel at origin port
CFR	Cost and Freight	The seller delivers the goods on board the vessel or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel. The seller must contract for and pay the costs and freight necessary to carry the goods to the named port of destination							When delivered to first carrier at origin
CIF	Cost Insurance and Freight	The seller delivers the goods on board the vessel. The risk of loss of or damage to the goods passes when the goods are on board the vessel. The seller arranges and pays for transport to the named port of destination. The seller purchases insurance for the seller and buyer							When goods are on board the vessel at origin port

15. EXAMPLE PROPOSALS
MARINE ANNUAL / OPEN CARGO

IMPORTANT NOTICE

MATERIAL FACTS
"You" (this includes every person or entity to be insured under this insurance) are under a duty to disclose all material facts that could influence xxx's decision to accept this insurance and, if so, on what terms. You need to disclose both facts known to you AND facts which you could have
been reasonably expected to know about. If you are in any doubt as to whether a fact may be material, you should disclose it to ensure that any cover granted is not prejudiced.

NON DISCLOSURE/MISSTATEMENT
If you fail to comply with your duty of disclosure, xxx may be entitled to avoid the contract altogether, and so decline to pay any claim.

JURISDICTION
Except to the extent otherwise provided in any subsequently issued policy, the content and use of this form and any agreement entered into pursuant to this form or any dealing in relation to or arising from this form are governed by the laws of New Zealand and in relation to those matters, the parties submit to the jurisdiction of the courts of New Zealand.

COMPLETION NOTES

• If you are completing this form electronically, please use your 'Tab' key to take the cursor to the next available field. Boxes can be 'checked' either by hitting 'X' or using your mouse. At the end, you will need to print the form in order to sign the Declaration. The form can then be
posted / faxed / scanned and emailed to your broker.

• Please answer ALL questions fully. If you need extra space please attach additional pages on your company letterhead.

A APPLICANT DETAILS

1. Name of company
2. Date first established
3. Principal address
4. Website address
5. Period of Insurance: from 4pm ____ to 4pm ____
6. Current Insurer

B CARGO DETAILS

1. Goods insured

2. Type of packaging

3. Means of conveyance

4. Limit of Liability (Sum Insured any one conveyance or location)

Maximum shipment (a) International $

(a) Inland New Zealand $

5. Gross margin at time of sale

(Should reflect the average gross percentage added to purchase cost when goods are resold) %

FROM Country of Origin	TO Country of Destination	NZD $ Value	Terms of Sale* (e.g. EXW, FCA, CPT, CIP, CIF, DAP)
	TOTAL	$	*INCOTERMS 2010 trade definitions

Internal Within NZ $ Policy Plusage $

C PREVIOUS HISTORY

1 Has any insurer ever:

(a) declined to insure you? Yes ☐ No ☐

(b) cancelled or refused to renew your insurance? Yes ☐ No ☐

(c) imposed special terms or conditions in respect of ANY insurance for you? Yes ☐ No ☐

If 'Yes' to any of the above, please provide full details including the name of the insurer

D CLAIMS EXPERIENCE

1 Please provide details of your claims experience over the past 5 years

From Year	To Year	No. Claims	Value of Claims	Excess
to				
to				
to				
to				

DECLARATION

I/We declare on behalf of all proposed insureds that:

(a) all answers and statements in this proposal are correct and complete in every respect and there is no further information which may affect acceptance of the proposal;

(b) If accepted by xxx, this proposal and declaration, and any other material which I/we have provided to xxx, shall be incorporated into

and form the basis of the contract of insurance;

(c) I/We understand that xxx requires this information (which will be retained by xxx) in order to decide whether to accept this proposal,

and also that the Privacy Act 1993 entitles me/us to have access to and request the correction of this information;

(d) xxx is authorised to disclose information received from me/us to its advisors, reinsurers and to other insurers. I/We authorise xxx to obtain, from any party, information that is, in xxx's view, relevant to this proposal;

(e) I/We understand that the insurance will not be in force until this proposal has been accepted and cover confirmed by xxx.

NOTE: Signing the proposal and any supplementary questionnaires does not bind either the applicant or xxx to complete the insurance.

Signed ______________________ Date ______________

Printed name ______________________ Position ______________

CARGO OPEN POLICY

EXAMPLE PROPOSAL

THE PROPOSER

. Name

Address

Telephone Fax

Subsidiary companies

Inception date for policy

DESCRIPTION OF GOODS

Please give general description of the goods to be insured

☐ New ☐ Used ☐ Chilled ☐ Frozen ☐ Fresh or perishable

Are there any goods proposed for insurance which are not actually purchases or sales? yes / no (please circle)

If yes, please explain

PACKAGING

Full details of how goods are packed for shipment (including special written instructions to transport carriers)

TRANSPORT

Indicate approximate percentage by each method

Imports	Sea ________%	Air ________%	Post ________%
Exports	Sea ________%	Air ________%	Post ________%
NZ sendings	Sea ________%	Air ________%	Post ________%
			Own vehicle________%

CONTAINERISED

Are goods containerised? yes ~ no

If yes, specify type of container

☐ FCL ☐ LCL

If not containerised ☐ Pallet ☐ Skid ☐ Breakbulk ☐ Other (please specify)

Are non-containerised goods always to be shipped under deck on vessels? yes ~ no

TERMS OF SALE

☐ CFR/C&F ☐ FOB ☐ CIF ☐ FIS ☐ Other (please specifiy)

OTHER SALE TERMS

Please specify (e.g. on consignment)

TRANSITS

Countries of origin and destination to be shown

Imports from

to

Exports to

from

Pre-FOB RISKS

Do you wish to cover the goods 'Ex Works' until loaded on aircraft / vessel? yes ~ no

NOTE Goods exported on FOB / CFR or similar terms remain at your risk until loaded onto the overseas conveyance.

New Zealand SENDINGS

Is cover required for sendings within New Zealand? yes ~ no

Are these sendings consigned as follows

• On Limited Carriers Risk terms	yes ~ no	percentage ______%
• At Owners Risk terms	yes ~ no	percentage ______%
• Declared Value	yes ~ no	percentage ______%
• On Declared Terms	yes ~ no	

If yes, please specify

(attach a copy of the contract)

• In own vehicles?	yes ~ no	percentage ______%

LIMITS OF LIABILITY REQUIRED

Imports	NZ$ ________________________________	
Exports	NZ$ ________________________________	Maximum at risk any one conveyance
NZ sendings	NZ$ ________________________________	
	NZ$ ________________________________	

BASIS OF VALUATION

Imports	cost, freight plus	___%	or specify ________________________________
Exports	cost, insurance, freight plus	___%	or specify ________________________________
NZ sendings	invoice cost to customer	___%	or specify ________________________________

Goods that are not purchases or sales

VALUES

Please ensure you include the % of plusage shown on the Basis of Valuation above, i.e. CIF + 15%

	Value shipped past 12 months	Estimate for next 12 months
Imports excluding CIF purchases	NZ$	NZ$
Exports excluding FOB & CFR sales	NZ$	NZ$
Pre-FOB Risks (FOB & CFR sales)	NZ$	NZ$
NZ sendings	NZ$	NZ$
Total sales turnover / throughput	NZ$	NZ$

DETAILS OF PREVIOUS LOSSES

As at ___________

YEAR	Imports/Exports		NZ Sendings	
	Claims paid	Claims outstanding	Claims paid	Claims outstanding
TOTAL				

Give details of losses over NZ$5,000 included in the above figures ____
____
____

ADDITIONAL INFORMATION

Please state the name of your existing transit insurer ____

Are you aware of other information relevant to this risk? ____
____
____
____

ADDITIONAL COVERS

Do you require insurance for

- Advanced Profits/Increased Cost of Working (separate proposal required) yes ~ no
- Difference in Conditions (imports to NZ) yes ~ no
- Duty (show annual duty payable) yes ~ no $________
- Sellers Interest – FOB & CFR sales only (exports from NZ) yes ~ no
- Whilst at exhibition? yes ~ no

DECLARATION

I declare the answers given above are to the best of my knowledge true and correct and I have not withheld any information or details of previous claims or any other material fact likely to affect acceptance of this proposal.

I agree that this proposal and declaration shall be the basis of the contract between xxxxxx and myself.

Signature ____ Date / /

Company ____

This insurance will not be in force until this proposal has been accepted by xxxxxxxxxx.