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Product Fact Sheet – Marine Cargo Insurance

What is Marine Cargo Insurance?

The name - Marine Cargo Insurance - is a bit misleading as it seems to indicate insurance for cargo carried only by ship. In fact, whilst Marine Cargo insurance is the oldest form of general insurance and did start with the insurance of cargo on ships, the modern policy covers loss or damage to any form of cargo, moved by ship, road, rail or air. Sometime, this insurance is referred to as Marine Transit insurance and lately this is being abbreviated to simply “transit” insurance.

Whether a business imports or exports goods or simply ships goods within Australia, it should have Marine Cargo insurance to cover the financial loss associated with damage or lost goods.

What are the “risks” or perils that Marine Cargo Insurance covers?

A Marine Cargo policy can provide cover for:

- Loss or damage during shipment due to total or partial loss or damage only to the goods being carried
- Loss or damage during shipment due to an accident with the conveying ship, plane, train or vehicle
- Loss or damage to the goods during loading or unloading
- Loss or damage to the goods in temporary storage (where such storage is a part of the overall journey)

What are the “risks” or perils that are not covered?

Marine Cargo insurance policies vary in their terms and conditions, inclusions and exclusions, from one insurance company to another. However, some standard risks are excluded by most insurers:

- Loss or damage caused by a declared War or Civil commotion
- Loss of damage due radioactivity or other chemical damage
- Loss or damage caused by Inherent Vice (i.e. something is inherently likely to happen due to the nature of the goods – e.g. rust on exposed metal carried on the ocean, spoilage of food stuffs in non-refrigerated containers.
- Costs associated with delay in delivery, loss of market value, depreciation, consequential loss
- Loss or damage to money or other negotiable instruments

When does cover start or finish?

Cover starts and finishes dependant upon the agreements or contracts you have entered. If you are importing goods to Australia, you may have to insure them from the moment they leave the factory, or from the time they are loaded onto the ship/plane. Upon arrival in Australia, again, the contract determines when cover finishes. Some exporters will provide insurance cover from their factory right up until the goods are offloaded at the wharf/airport in Australia, but most no longer do this. The same issues apply to exporters.

For transits within Australia, cover generally starts the moment the goods are loaded onto the truck and finishes when the truck arrives at the destination (to be covered during the loading and unloading process – you should always ask for “loading and unloading extension” to your policy. Many claims for damage occur during the loading and unloading process

How is my Premium calculated?

Policies can be arranged to cover a single transit or a series of transits. Where a single transit cover is arranged, the premium is based of the nature of the goods, the method in which they are packed, the start and destination of the journey, the mode of transport and the total value of the goods being shipped.

Where a policy is arranged to cover a series of transits (generally as an annual policy), the above factors are used to calculate the premium, but additionally, the insurer requires an estimation at the beginning of the policy, of the total number of transits that will occur during the year and the total value of all goods that will be shipped during the year. At the end of the policy year, the insurer requires a declaration which is compared to the estimation at the beginning – where the declaration exceeds the estimation; an adjustment premium is then payable before renewing the policy for a further year.

What value are my goods insured for?

Generally speaking, in the event of a claim, most insurers will pay:

- For Insured goods already sold to a customer – your invoice value to them
- For Insured goods you have purchased – the purchase price on the invoice you have received
- For all other goods, including moving your own equipment, the payment is limited to the market value of the items as determined by industry experts.

Additionally, some policies will cover re-shipment costs and some limited storage costs where such costs are unavoidable to replace the goods lost or damaged.