



IMPACT OF COVID-19

Mitigating Supply Chain Disruption Through Marine Insurance

Supply chain is one of the first aspects of businesses to get impacted due to sudden lockdowns as a response to COVID-19 breakout.

Here are a few possible situations where your valuable cargo may be stuck, how the current marine insurance cover will operate, and any extra details you may need to ask your advisor and insurer for.



IMPORTS: BY SEA

Incoterms-Ex-works, FOB, CFR, C&F, CIF (Tail-End)

S1 - Container on the vessel, vessel berthed on high seas or at port but discharge not happening

- I1 - It is in due course of transit, and marine cover is valid, provided the contract of carriage is not terminated by the shipping line (refer Clause 9 of ICC A 1.1.2009)

S2 - Container discharged, lying at the port or CFS for customs clearance

- I2 - It is in due course of transit, and marine cover is valid, however, we must ensure that limit per location under the policy is not breached

S3 - Container discharged, moved to customs bond

- I3 - It is not in due course of transit, we have to purchase a separate fire & burglary policy

S4 - Container discharged, custom clearance done, but containers cannot be moved

- I4 - It is in due course of transit, and marine cover is valid, however, we must ensure that limit per location under the policy is not breached

S5 - Tail end imports on CIF port basis

- I5 - Cargo cover taken by the supplier will end post-discharge, hence, in case the cargo is stuck at Port/CFS, we have to ensure cargo is covered by a Fire & Burglary, and till such time it is loaded onto the carriage vehicle where the tail end cover attaches. It is important to note that since survey in current circumstance is not possible, the regular Tail End cover under the Indian policies is restricted to ITC B + ND of entire Consignment + SRCC without a predispatch survey.

Actionable:

- Ask insurer to increase the duration clause of 60 days under ICC A (Clause 8) by an additional 60 days
- Check adequacy of limit per location limit
- Obtain Fire & Burglary policy wherever contract of carriage has been discontinued or stoppage is voluntary

Legends: S: Situation | I: Insurance

IMPORTS: BY AIR

Ex-Works, CFR

S1 - Cargo lying in customs area after unloading from the aircraft, customs not happening

- I1 - It is in due course of transit, and marine cover is valid, check the limit per location under the policy

S2 - Cargo lying in the customs bond area for deliberate bonding after unloading from the aircraft

- I2 - It is not in due course of transit, have to purchase a separate fire & burglary policy during such storage

S3 - Cargo after customs clearance lying at Airport warehouse and cannot be moved to final destination

- I3 - It is in due course of transit upto a period of 30 days from the date of discharge as per duration clause of ICC Air Cargo, pls check the limit per location under the policy

Actionable:

- Ask insurer to increase the duration clause of 30 days under ICC (Air Cargo-Clause 6) by an additional 60 days
- Check adequacy of limit per location limit
- Obtain Fire & Burglary policy wherever contract of carriage has been discontinued or stoppage is voluntary



EXPORTS: BY SEA

Incoterms - CIF, CFR & FOB

S1 - Cargo lying at CFS and cannot be stuffed into export container and vessel is cancelled

- I1 - Cargo to be shifted into CFS warehouse, fire and burglary cover to be taken since contract of affreightment has been cancelled by the shipping line

S2 - Cargo stuffed into container lying at CFS and vessel cancelled

- I2 - Let Export Order (LEO) has been issued, marine cover is valid subject to a valid bill of lading

S3 - Cargo container lying at the port and vessel is delayed

- I3 - Let Export Order (LEO) is issued, marine cover is valid provided exports is on CIF, where it is on FOB/CFR, the duration as per FOB clause shall apply

Actionable:

- Check incoterms - if it is CIF export & invoice has been billed and LEO has been issued marine cover is valid.
- If it is FOB/CFR - ask insurer to extend the current 14 days cover by another 16 days, i.e, 30 days in total



INLAND MOVEMENT: BY TRUCK

Delivered to Destination

S1 - Trucks stuck midway due to blockade, move to a nearby compound or waiting to get clearance

I1 - In due course of transit, and marine cover is valid, subject to contract of carriage not being terminated by the carrier.

S2 - Transporter in order to safeguard the cargo, moves to a nearby warehouse and unloads the cargo in the warehouse

I2 - It is in due course of transit and marine cover is valid

S3 - Truck driver abandons the truck (refer recent notification by All India Transporters Association citing force majeure situation)

I3 - It is in due course of transit, and marine cover is valid, intimation has to go to insurance company

S4 - Truck reaches destination city cannot deliver

I4 - Marine cover will expire on 7th day midnight

S5 - Truck reaches customer warehouse but cannot deliver as it is shut

I5 - Marine cover will expire on 7th day midnight

Actionable:

- Ask insurer to extend the duration clause under ITCA (Clause 6) which provides cover for 7 days after the vehicle reaches the destination city, by additional 60 days
- Obtain Fire & Burglary policy wherever contract of carriage has been discontinued or stoppage is voluntary



INLAND MOVEMENT: BY RAKE

Delivered to Destination

S1 - Material in rakes and rakes are stuck en route to the destination

I1 - It is in due course of transit and marine cover is valid

S2 - Material in rakes and rakes have reached destination but rake cannot be unloaded

I2 - It is in due course of transit and marine cover will expire on 7th day midnight

S3 - Material unloaded at railway sidings at destination but cannot be moved further

I3 - It is in due course of transit and marine cover will expire on 7th day midnight

Actionable:

- Ask insurer to extend the duration clause under ITCA (Clause 6) which provides cover for 7 days after the Rake reaches the destination city, by additional 60 days
- Obtain Fire & Burglary policy wherever contract of carriage has been discontinued or stoppage is voluntary



Reach out to our supply chain insurance experts for any query/support in this time of crises:

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Disclaimer: The situations / illustrations mentioned in this document are for generic information only, please refer to your Marine Policy for actual terms and conditions



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