INCOTERMS 2010
REAL WORLD EXAMPLES

Keith Sanchez, Divisional Vice President
Incoterm & Cargo Insurance

- **Incoterm® 2010**
  - Used in contracts for sale of goods around the world
  - Both Domestic and International
  - Defines responsibilities of buyers and sellers with respect to the delivery of goods.
  - Defines responsibility for costs and risks to buyer and seller
  - Critical to insurance coverage questions
• **Cargo Insurance**
  
  – Used to insured goods moving internationally and domestically
  
  – Most written on open Ocean cargo policies are basis
  
  – Wording/Clauses specific to INCOTERMS
  
  – Purchased directly by buyer or seller
  
  – Purchased from CHB/Forwarder
  
  – Can cover any mode of transportation
What Risk? Why Insure?

- **Rigors of shipping**
  - Loss, damage and theft
  - General Average (ocean)

- **Carriers’ liability**
  - Carriers only pay claims when liable
  - Liability is often limited
  - Often have improper insurance or insufficient funds
    - Usually in trucking or warehousing

- **INCOTERMS** – May require
# Summary of Liability Limits

<table>
<thead>
<tr>
<th>Statute</th>
<th>Mode</th>
<th>Customary Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carriage of Goods by Sea Act (COGSA)</td>
<td>Ocean</td>
<td>$500 per Customary Freight Unit</td>
</tr>
<tr>
<td>Warsaw Convention (International)</td>
<td>Air</td>
<td>$9.07 per pound or $20 per kilo</td>
</tr>
<tr>
<td>Montreal Protocol (International)</td>
<td>Air</td>
<td>19 Special Drawing Rights (SDRs)</td>
</tr>
<tr>
<td>Domestic Air (based on AWB)</td>
<td>Air</td>
<td>$0.50 per lb. and/or $50 per shipment</td>
</tr>
<tr>
<td>Warehouse Operators (based on receipt)</td>
<td>Warehouse</td>
<td>$0.50 per lb. and/or $50 per shipment</td>
</tr>
<tr>
<td>Local Carriers (based on bill of lading)</td>
<td>Intrastate</td>
<td>$0.50 per lb. and/or $50 per shipment</td>
</tr>
<tr>
<td>Carmack Amendment</td>
<td>Interstate</td>
<td>Full value, unless limited by rate/contract</td>
</tr>
</tbody>
</table>
17 Hague-Visby Defenses

1. Neglect of carrier in the navigation or in the management of the ship
2. Fire (unless by fault of the carrier)
3. Perils, dangers, and accidents of the sea
4. Act of God
5. Act of war
6. Act of public enemies
7. Arrest, restraint, or seizure
8. Quarantine restrictions
9. Act of omissions of the shipper or owner
10. Strikes, lockouts, or labor stoppage
11. Riots and civil commotions
12. Inherent defect, quality, or vice of the goods
13. Insufficiency of packing
14. Insufficiency or inadequacy of marks
15. Latent defects not discoverable by due diligence
16. Saving life or property at sea (general average)
17. Any other cause arising without the actual fault of the carrier
Insurable Interest

• To insure cargo, shipper or consignee must have a financial interest in the cargo (True with your car, house or boat)
• Insurance is dictated by terms of sale
• Incoterms® 2010 specify the responsible party for overall terms of delivery
  – Freight charges, duty, insurance, etc.
  – Loss or damage to cargo
  – See handout
• CIF terms are the most common for insured shipments.
  – Also opportunities to insure imports, Ex-works, FOB/FAS portion of transit, warehouse storage, etc.
Insurable Interest

• Only CIF and CIP terms require the purchase of insurance
• All other terms - no obligation for seller or buyer to buy
• All other terms - dictate who is responsible for loss
• Buyer or seller should be buying insurance if responsible for risk
• Large financial losses can occur
Party Responsible for loss

- **Buyer**
  - Responsible for “main carriage” and should secure the cargo insurance but not required

- **EXW** – Ex Works
- **FCA** – Free Carrier
- **FAS** – Free Alongside Ship
- **FOB** – Free On Board
Party Responsible for Loss

- Seller
  - Responsible for “main carriage” and should secure the cargo insurance but not required

  - CFR – Cost and Freight
  - CPT – Carriage Port TO
  - DAT – Delivered at Terminal unloaded
  - DAP – Delivered at Place
  - DDP – Delivered Duty Paid
Party Responsible for loss

• Seller
  – Responsible for “main carriage” and required to secure cargo insurance

  • CIF – Cost, Insurance and Freight
  • CIP – Carriage and Insurance Paid To

  – Need to confirm type of insurance
  – F.P.A vs. All Risk
Insurance Policy Wording

• Open Cargo Insurance policies have many clauses
• Some Clauses are specific to terms of sale
• The Assured needs to be familiar with the policy
Insurance Policy Clauses

• **Interest Insured:**
  
  - Consigned to the Assured or to others for the account or control of the Assured, being the property of the Assured or that of others in which the Assured may have an insurable interest or for which the Assured may hold or receive instructions to effect insurance provided such instructions be given in writing prior to shipment, and before any known or reported loss or accident, **but excluding shipments sold by the Assured on cost and freight, F.O.B., F.A.S., or similar terms whereby Assured is not obliged to furnish marine insurance and also excluding such shipments as are bought by the Assured on C.I.F. terms, or other terms which include Marine Insurance.**

  - The above is specific in what the policy will cover
  - *INCOTERMS* are critical to insurance coverage
• CONTINGENT INTEREST/UNPAID VENDOR
  – Covers Assured’s contingent interest or interest as unpaid vendors
  – Merchandise purchased or sold by them
  – Assured is not responsible for effecting insurance
  – Assured agrees to make claims against seller
  – The Insurer will advance to the Assured as a loan for the amount of any claim
  – Any recovery paid back to the Assured to the extent of any recovery received by the seller
  – Can not disclose to the buyer or consignee the existence of this insurance
Insurance Policy Clauses

• F.O.B./F.A.S. COVER
  – To cover shipments sold subject to F.O.B., F.A.S., Cost and Freight or similar terms
  – Seller is not obliged to furnish ocean marine insurance.
  – Insurance attaches, until the goods are loaded on board the overseas vessel or until the seller’s interest ceases, whichever shall first occur.
  – Shipments reports monthly
  – Not to exceed 30 days from attachment
  – Extensions can be purchased
Cargo Insurance Basics

<table>
<thead>
<tr>
<th>Coverage Type</th>
<th>What’s covered?</th>
</tr>
</thead>
<tbody>
<tr>
<td>“All-Risk”</td>
<td>Everything but what’s excluded</td>
</tr>
<tr>
<td>Free of Particular Average (FPA)</td>
<td>Named perils only</td>
</tr>
<tr>
<td>With Average (WA)</td>
<td>Adds “heavy weather” peril to FPA</td>
</tr>
</tbody>
</table>

If your policy is with a London Company or a company following the standard London format, your conditions will be governed by the London Institute Clauses (ICC) “A,” “B” and “C,” which are similar to American terms “All-Risk,” “FPA” and “WA.”

Please refer to your cargo policy and our manual for a comparison.
Cargo Insurance Basics

• “All-Risk” coverage
  – “All risks” except exclusions
  – Typical exclusions: (consult your policy)
    • Improper packing
    • Abandonment of cargo
    • Rejection/delay by Customs
    • Inherent vice
Cargo Insurance Basics

- **FPA coverage**
  - Coverage is for named perils only (consult policy/manual)
    - Fire or explosion
    - Sinking and stranding
    - Grounding
    - Crash of aircraft
    - Jettison
    - General Average
    - Overturn of truck
    - Collision/derailment of land conveyance
    - Discharge at port of distress

- **WA coverage**
  - Same as FPA coverage, but adds 4 perils of heavy weather
  - Earthquake, Entry of water, loading/unloading, washing overboard
Valuation & Cargo Insurance

• Must insure 100% of value, freight, duty and 10% margin to fully collect in the event of a claim.
  – Failure to insure 100% of cargo can result in a co-insurance penalty.
Co-Insurance Penalty

- Sample co-insurance penalty calculation:
  - Insured value: $132,000
  - Insured amount: $52,800
    - To save money, your client requests you to insure the shipment for 40% of the value, or $52,800
  - Claim amount: $40,000
    - Heavy weather caused damage to the goods
  - Amount received: $16,000
    - Since the goods were only insured for 40% of the value, the client will only receive 40% of the claim amount.
Sample Claims
Scenario 1  CIF – Cost, Insurance & Freight

• U.S. Buyer buys 21,000 KGS of Extra Virgin Olive Oil from a Seller in Italy on Terms of Sale: CIF Los Angeles
• Shipment moves in a 20ft container with a bladder
• U.S. CHB hired to clear customs and assist with the inland move
• Buyer selects the inland carriers and CHB issues a DO
• U.S. CHB purchases All Risk Cargo Insurance for Buyer as they handle all their shipments nationwide and have for the last 5 years.
Scenario 1 CIF – Cost, Insurance & Freight

• Term of Sales: CIF Los Angeles

• Seller
  – Assumes all costs, risks and documents to the port of Long Beach
  – Required to purchase insurance to cover the buyers risk

• Buyer
  – Assumes all costs, risks and documentation form Port of Long Beach to final Destination

What could possibly go wrong?

Scenario 1  CIF – Cost, Insurance & Freight

- Shipment arrives Port of Long Beach
- CHB clears customs
- Freight Forwarder subs out the transit to ABC Trucking.
- Shipment arrives a Forwarder’s yard too late to deliver that evening
- ABC Trucking comes back to FF’s yard next day to deliver to Buyer
- Driver notes container leaking oil and all transit stops and the calls are made.

Now let the games begin.......
Scenario 1  CIF – Cost, Insurance & Freight

• CHB turns in claim to their insurance company
• Surveyor assigned
• CHB’s Insurance Company denies coverage as Terms of Sale were CIF Los Angeles citing:

  • OTHER INSURANCE
    A. If an interest insured hereunder is covered by other insurance which attached prior to the coverage provided by this policy, this Assurer shall be liable only for the amount in excess of such prior insurance, the Assured to receive return of premium based on the insured value of such prior insurance at the rates of this Assurer; but in the event of loss or damage from a peril insured against hereunder which is not recoverable under such other prior insurance, this Assurer is to be liable to the full extent of coverage and liability hereunder for which the Assured shall pay the full rates provided elsewhere herein.

    B. If an interest insured hereunder is covered by other insurance which attached subsequent to the coverage provided by this policy, this Assurer shall pay the full extent of liability under this insurance without right to claim contribution from said subsequent insurance.

• C. Other insurance upon the property of same attaching date as the coverage provided by this policy shall be deemed simultaneous and this Assurer shall be liable only for a ratable contribution to the loss or damage as the amount insured hereunder bears to the aggregate of such simultaneous insurance, the Assured to receive return of premium proportionate to such reduction in liability; but in the event of loss or damage from a peril insured against hereunder which is not recoverable under such other simultaneous insurance, this Assurer is to be liable to the full extent of coverage and liability hereunder for which the Assured shall pay the full rates provided elsewhere herein.

• Nothing in this clause shall be construed as preventing the Assured from effecting specific insurance upon property in storage where permission to effect such specific insurance is granted elsewhere in this policy.
• Claim submitted to Seller insurance company
• Seller insurance company denies coverage citing they only cover up to destination port
• Survey comes back and finds oil was leaking port terminal prior to being received at FF’s yard.
• Buyer retains legal counsel to go after CHB’s policy
• CHB’s insurance company continues to hold their ground that Seller’s insurance should pay

It gets better...
Scenario 1  CIF – Cost, Insurance & Freight

• Seller’s insurance company finally comes back and confirms the shipments were never insured. Seller never paid premiums for the shipments.

• We find that the CHB has been insuring all of Buyers shipments and 14 shipments have been insured on CIF terms

• Buyers attorney’s go after CHB’s E&O and threatens bad faith to CHB Marine Insurance carrier
  – Increases the exposure to Insurance company to include punitive damages and legal fees

• CHB Marine carrier settles for $90,000 to avoid bad faith
• CHB’s insurance rates increase because of loss ratio.
Scenario 1  CIF – Cost, Insurance & Freight

• The lessons here......
  – CHB to confirm terms of sale prior to insuring the shipment
  – Instruct your clients to get a copy of your insurance cert when buying CIF
  – Offer Contingent coverage
  – Sellers need to control the transit and Insurance
Scenario 2  EXW - ExWorks

• U.S. manufacturer sells $250,000 of Steel sheets to a buyer in India on Terms of Sale: ExWorks

• Buyer put down 20% deposit for the purchase

• The buyer hires U.S. Freight Broker to move goods to Port of Long Beach

• U.S. Freight Broker hires ABC Logistics who subs the move to XYZ trucking company.
Scenario 2  Exw - ExWorks

• Term of Sales: Exworks
• Seller
  – Makes the goods available at Seller warehouse for the buyer to pick up
• Buyer
  – Assumes all costs, risks and documentation from Sellers location to final destination in India

What could possibly go wrong?
Scenario 2  Exw - ExWorks

- Shipment moves from Pittsburgh, PA to XYZ Trucking yard in Long Beach, CA
- Next day shipment disappears from XYZ Trucking yard
- Seller is out 80% of the sale
- Buyer is out of the commodity, 20% of his prepayment and still owes the seller the balance
- All should be good.....Buyer is responsible for the risk and should have purchased insurance.

Now let the games begin.......
Scenario 2  Exw - ExWorks

- Buyer did not purchase insurance
- Buyer sues Freight Broker, ABC Logistics and XYZ Trucking
- Still in litigation
Scenario 2  EXW - ExWorks

• The lessons here......
  – Educate the buyer on all of the exposure that exist during transit
  – Confirm if your client has purchased cargo insurance
  – Offer it in writing to them to document whether the have accepted or not.
Incoterms

This Seminar is for informational purposes only. Please refer to your actual policy for your terms and conditions.

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Insurable Interest

- To insure cargo, shipper or consignee must have a Financial Interest in the Cargo
- Insurance is dictated by Terms of Sale
- 2000 INCOTERMS specify the party responsible for overall terms of delivery, such as freight charges, duties, insurance, etc.
- Title is not mentioned in INCOTERMS- Only risk of loss.
Case Study 1 - Foreign Garments Inc.

- **TOPIC:** International garment conglomerate, Foreign Garments Inc. insures an Ocean shipment of garments from China to New York on their Open Cargo Policy. In this case, American Importer (Buyer) was required to pay 40% of the invoice prior to manufacturing.

- Per commercial invoice terms, the cargo has been sold to American Importer, Inc. in New York on stated terms of “FOB Ho Chi Minh.”

- **Seller-**
  - Packing
  - Loading on domestic carrier
  - Domestic inland freight
  - Receiving Port/ Terminal Charges
  - Export Clearance
  - Loading on International Carrier

- **Buyer-**
  - Ocean Transportation
  - Arrival/ foreign port charges
  - Customs Clearance/ Duties/ Taxes
  - Foreign Inland Delivery

- When the vessel arrives in NY, the cargo is damaged being unloaded at the port of entry. Is Foreign Garments Inc. covered by Insurance for this loss?
Case Study 1- Foreign Garments Inc.

CONCLUSION:

YES and NO -- Some broader cargo policies will provide coverage to the assured regardless of INCO term risk of loss, often with two caveats (Insurable Interest Admitted Clause):

a) Assured is not to inform trading partner of coverage and to use all reasonable means to first recover loss from trading partner;

b) Should claim be paid to an assured without risk of loss, underwriter has the right to subrogate against the trading partner.

However, some cargo policies absolutely require the assured to have risk of loss outlined by the INCOTERMS for insurable interest to exist.
Case Study 1 - Foreign Garments Inc.

- In this scenario, the insurance claims department claimed that the assured did not have risk of loss under the technical INCO term of sale and therefore declined coverage (insurance policy was held overseas- lower cost but did not include the Insurable Interest Clause). (FOB Port of Loading)

- Claims Adjuster collected insurance claims docs (listed below) and identified the INCO term described on the commercial invoice.

- An attorney was ultimately successful in arguing that the parties were not sufficiently sophisticated to understand the meaning of the technical INCO term and at all times intended and assumed that the assured would indeed have the risk of loss. Attorney Cost- Out of Pocket

**Documentation**

- Original Certificate of Insurance
- Bill of Lading or Air Waybill
- Commercial Invoice
- Packing List
- Delivery or Dock Receipts to verify any exceptions noted for loss/damage
- Statement of Claim indicating the amount of damages claimed, extent of loss, circumstances involved, etc
- Surveyor’s certificate or survey report
- Any correspondence or reports or information relevant to the transit, loss, or damage
Case Study 2 | DDP

- **TOPIC** - Buyer (American Consignee, Inc.)/Seller (Foreign Plastics, Inc.) Change INCOTERMS to DDP (good news for the buyer).

- **Seller has maximum obligation**

- **Seller**-
  - Packing and Labeling
  - Loading on Domestic Carrier
  - Receiving Port/ Terminal Charges
  - Freight Forwarding Charges
  - Export Clearance
  - Loading on International Carrier
  - Ocean transport
  - Arrival/ foreign port charge
  - Unloading at Arrival Port
  - Foreign Inland Delivery
  - Customs Clearance/ Taxes & Duties

- **Buyer**-
  - Unloading from Arrival Carrier
A common DDP example, Foreign Plastics, Inc. becomes (foreign) Importer of Record and gets a $50,000 Continuous Bond.

Commodity is entered as Rolls of Plastic from China. Entered Value $65,000.

Local Carrier picks up from the port, goods are conditionally released to Consignee.

Customs requests a sample of the merchandise. American Consignee, Inc. provides the sample to CBP and continues to distribute the merchandise

CBP determines that they goods are not Rolls of Plastic and fall within the scope of the AD/CVD investigation for plastic bags and is dutiable at over 77.57%.

Customs requests an amended entry summary to include the payment of AD/CVD and the corrected classification of merchandise. ($65,000 * .7757 = $50,420.50 in liquidated damages)

The payment of estimated duties are subject to liquidation. Even if an IOR has paid the estimated duties timely, we all know that the entry is still in the hands of CBP for admissibility, valuation and classification. Admissibility issues are generally addressed within 30 days of release, but value and classification usually remain changeable for approximately 1 year from the date of entry, and even longer if the entry is suspended.
CONCLUSION:

Foreign Plastics, Inc. is unable to pay the liquidated damages and as a result there is a full claim on the bond. The surety pays $50,000 for one term of the bond, and during subrogation the surety is unable to locate the foreign importer of record.

- The reason DDP has become more prevalent is because manufacturers overseas can offer one price for the goods delivered to their client (inclusive of duties and transportation costs). Factories and suppliers are becoming more sophisticated, promoting ease of purchasing. The downside of this is that the buyer loses the control over product integrity, lacking visibility while shipment is in transit, C-TPAT/ISF filing concerns, potential delays in cargo release, etc.
- Encourage Clients to buy where they Control the transaction (CIF/CIP example).
- Understand the Underwriting requirements for foreign importers vs. U.S. domiciled importers
- Knowing your clients have never been so important. Re-write of 111, validating POA, etc. are all reasons to discuss these issues with your importer clients.
Insurance Solutions for Incoterm Based Challenges
Unpaid Vendor

FOB Charleston, SC
Open Account / 30d Terms
Free on Board (FOB)
Named Port of Shipment

- Seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment. **Risk of loss of or damage passes when the goods are on board the vessel**, and the buyer bears all costs from that moment onwards.

Contingency Insurance for Unpaid Vendor

- “This insurance shall cover on a contingent basis, goods sold on terms which do **not obligate the Assured to provide insurance**. If there is loss or damage from a peril insured herein, and as a result the Assured **cannot collect from the consignee**, Underwriters shall **advance** to the Assured the amount of loss. The Assured shall **repay** such amount upon **remittance by the buyer**. The Assured shall **preserve** their rights against the buyer and shall **subrogate** to Underwriters all rights and shall give all assistance in enforcing them.”
• Shipper had limited recourse against buyer
  – No US affiliate
  – Legal action in a foreign country was impractical
• Shipper filed a claim with their own underwriters based upon the “unpaid vendor” clause in their policy and was indemnified.
• Underwriters leveraged their extensive network to pursue subrogation from the buyer and ultimately collected on the full balance.

Commodity: Used Machinery
Value: 175,000usd
Terms: FOB Port of Charleston
Loss Description: Container lost at sea / Uncollectable commercial invoice
Indemnification: 175,000usd
Basis: Unpaid Vendor
Subrogation: 175,000usd collected from buyer
Fee’s: 23,000usd in claims/legal fee’s paid by underwriter
Precarriage Exposure

FAS Savannah, GA
Free Alongside Ship (FAS)  
Named Port of Shipment

Seller delivers when the goods are placed alongside the vessel nominated by the buyer at the named port of shipment. **The risk of loss of or damage passes when the goods are placed alongside the ship**, and the buyer bears all costs from that moment onwards.

F.O.B./F.A.S. Sales

This insurance is extended to cover shipments originating in the Continental United States and **sold by the Assured on F.O.B., F.A.S. or similar terms**. This insurance shall cover such F.O.B./F.A.S. or similar shipments from the time of leaving store, warehouse or factory at interior point of shipment and continue while in due course of transit to the port of export and while there, until loaded on board overseas vessel or until Assured's interest and responsibility cease in accordance with the terms of sale, whichever shall first occur.
Results

- The trucker had 100k in MTC insurance and refused additional liability
- Since risk was retained by the shipper until loaded on board under FAS terms, they had no recourse to recover the 225k balance.
- Shipper ultimately bound a shipper’s interest policy to address their ongoing precarriage exposures.

Commodity: Medical Diagnostic Equipment
Value: 325,000usd
Terms: FOB Port of Savannah
Loss Description: Container overturned during precarriage
Indemnification: 100,000usd
Basis: MTC Liability
Uninsured Loss: 225,000usd
Difference in Conditions
Cost, Insurance & Freight (CIF)

- Risk of loss/damage passes when the goods are on board the vessel.
- The seller contracts for insurance cover the buyer’s risk of loss/damage.
- Seller is required to obtain insurance only on minimum cover.
- If broader terms are required, they must be negotiated expressly with the seller or separate arrangements must be made.

**Difference in Conditions**

“If goods are covered by other insurance, this insurance shall cover any perils not covered by other insurance but which are covered under the terms of this Policy. Underwriters will advance to the Assured the amount of the loss, damage or expense, as a loan without interest. The Assured is to repay such amount upon remittance of the sum due the Assured by the seller, the insurance provided by the seller or otherwise.”
## Insuring Conditions

<table>
<thead>
<tr>
<th>Loss Caused By or Resulting From One of the Following Perils</th>
<th>All Risk¹</th>
<th>WA</th>
<th>FPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stranding</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Sinking</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Burning</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Collision</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Faults or errors in the management of the vessel</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Bursting of boilers</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Latent defects in hull or machinery (if unknown to the insured)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Explosion</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>General Average</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Jettison</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Heavy weather</td>
<td>Yes</td>
<td>Yes</td>
<td>No²</td>
</tr>
<tr>
<td>Seawater as a result of heavy weather</td>
<td>Yes</td>
<td>Yes</td>
<td>No²</td>
</tr>
<tr>
<td>Theft of entire shipping package</td>
<td>Yes</td>
<td>No³</td>
<td>No³</td>
</tr>
<tr>
<td>Non-delivery of entire shipping package</td>
<td>Yes</td>
<td>No³</td>
<td>No³</td>
</tr>
<tr>
<td>Fresh water</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Improper stowage by the carrier</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Hook damage, mud and grease</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Pilferage</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Leakage</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Breakage</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Rough handling</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

1. Exclusions may apply.
2. Partial losses are *not* covered for these perils, but total losses *are* covered.
3. With underwriter's approval, may be added to FPA or WA for additional premium.
Results

• 120k usd claim filed with importer’s insurance company
• Importer indemnified for the loss
• Importer also had “control of damaged goods” clause in their policy
  – Underwriters wanted to clean/salvage the damaged jeans; however, citing potential damage to brand, the importer insisted that the jeans were destroyed.

Commodity: Designer Jeans
Value: 400,000usd
Terms: CIF LALB
Loss Description: Wetting / Mold / Mildew
Indemnification: 120,000usd
Basis: Difference In Conditions
Interest Admitted

Notwithstanding the terms of sale or purchase and provided that the named Assured is responsible for insuring the overseas voyage prior to shipment and that such shipments is insured by this policy, the interest of the Named Assured and the shipper and/or buyer to which coverage is extended shall at all times be admitted during the entire transit as outlined in the Duration of Risk Transit Clause.

Commodity: Licensed Garments
Value: 142,000usd
Terms: FOB Ho Chi Minh
Loss Description: Container Fire / Total Loss
Indemnification: 0usd
Basis: Insurable interest retained by Seller under FOB terms
Uninsured Loss: 85,000usd (60% Deposit)