UNIT-II

PACKING LIST

A packing list accompanies an international shipment and is used to inform transportation companies about what they are moving. It also allows the customer and others involved in the transaction to check what has been shipped against the proforma invoice. It is a necessary safeguard against shipping incorrect cargo internationally. An export packing list, for example, is far more detailed than a domestic one.

To prepare your packing list, delete all the prices on the invoice and double-check to see that the number of cases, weight (net, gross, metric) and measurements appear on the invoice. Then rename the document "PACKING LIST" in big, bold letters. Never substitute a packing list for a commercial invoice. The export packing list provides the exporter, the international freight forwarder, and the ultimate consignee with information about your shipment, the packing details, and the marks and numbers noted on the outside of the boxes.

WHAT TO INCLUDE ON AN EXPORT PACKING LIST

A good packing list provides fairly detailed information about the merchandise:

- **Product description;**
- **A reference to the relevant commercial invoice number and/or item number;**
- **The type of package(s), e.g. box, carton, vials, etc.;**
- **The net and gross weights of each package stated in pounds or tons and converted into a metric equivalent, except where the buyer or government regulations require otherwise;**
- **The legal measurements expressed in inches and cubic feet and converted into a metric equivalent, except where the buyer or government regulations require otherwise;**
- **Package markings; and**
- **Buyer and seller references.**

Remember, a packing list is not the same as a pick list, which is a document that lists the material to be picked for manufacturing or shipping orders. The packing list is an important document to you, your customer, your freight forwarder, and customs. All the particulars in this document will facilitate the shipment of your goods.

IMPORTANCE OF PACKING LIST

- It supports what is being shipped.
- It can accompany an inspection certificate.

- It can be used as further evidence to support a method of payment but (be advised) you must make sure you match your product description to that of any payment instrument.
- It will be used by a Custom's Broker for clearance and entry into a foreign country.
- It is used by the buyer-seller to compare what has been ordered to what has been shipped.
- It is used to issue a bill of lading.
- It is used for the electronic export information (EEI) and is often used by the U.S. and foreign customs officials to verify goods.

WHY PACKING LISTS ARE SO IMPORTANT

If you don't complete a packing list a myriad of problems can arise that can wreak havoc with your business. These problems range from not getting your goods delivered to the desired destination to not getting paid.

An export packing list should be securely attached to the outside of each shipping container, preferably in a waterproof packet and an envelope that is marked "Packing List Enclosed." It is the responsibility of the shippers and forwarding agents to determine the total weight and volume of the shipment, and whether or not the correct cargo (as indicated) is being shipped. All of this information is based on the packing list. Also, customs officials at the port of entry and port of exit may use the packing list to check the cargo.

CONTENTS OF PACKING LIST

1. **Exporter /Consigner** : The details of party who consigns the goods is mentioned in this column. The name and complete address of consignor to be mentioned with Country name.
2. **Consignee:** The details of party to whom the consignment is shipped out to be mentioned. Normally, the details of overseas buyer is mentioned. In some cases, when Letter of credit involves, the bank name is mentioned as consignee starting with “To the order of…” If the cargo is re-sold at destination to a third party, said column can be mentioned as “To Order”
3. **Buyer:** In some cases, consignee may not be the actual buyer. Then the details of buyer other than the consignee is mentioned.
4. **Invoice Number and date:** This number is the serial number of sale transaction used by a seller. This reference number is quoted at many occasions including authorities to identify the consignment for future reference. This is the reference number against the said sale used internally by the buyer in all future reference and files in office also.
5. **Buyer’s order number and date:** The purchase order number of overseas buyer is mentioned here. If the shipment is under Letter of credit, the LC number and date is mentioned.
6. **Other reference if any:** You can mention any other reference number to be declared in related to the said shipment or common.
7. **Country of Origin:** The country of goods originally manufactured to be mentioned in this column. In some of the cases, the goods are imported to a country and the same goods are exported after re-packed and re-balled. It happens in triangular shipments also. Read more about ‘triangular shipment’ in my previous article.
8. **Country of final destination:** This is the country where the goods are finally reached.
9. **Vessel / Flight**: The name of vessel or flight if available. You can also mention the planning vessel or planning flight name. While mentioning vessel name, always write voyage number.
10. **‘Pre carriage by’**: The term “Pre carriage by” means, the mode of movement of cargo to port of loading by the shipper. The Pre carriage can be ‘By road’, ‘By Rail’ ‘By air’ or ‘By sea’.

11**. Place of Receipt**: Place of receipt of goods by carrier after completing export customs procedures. If you (exporter) are situated far from load port, the cargo can be customs cleared at nearest Container Freight station and move to port of loading. If you are completing customs procedures near the load port, the column 'place of reciept' and 'port of loading' will be the same.
12. **'Port of Loading'** You can mention the port of loading of goods. It can be airport or sea port of place where you load your goods to aircraft or vessel.

13. **Port of Discharge**: This is the port where your goods are unloaded from the aircraft or ship to deliver to the buyer's place. Be alert, the port of discharge column should be filled up with best care.

14. **Place of Delivery**: If your buyer is located far from port of discharge and he need to get the goods near to customs supervised ware house (Container freight station CFS), the Bill of Lading issued at port of loading has to be mentioned the said place of delivery.

15. **Terms of Delivery & Terms of Payment**: As I have explained in previous articles, the terms of delivery like EX-WORKS,FOB,C&F,C&I,CIF,DDU,DDP etc. as agreed both you and your buyer. Terms of Payment also as explained earlier like LC,DA,DP etc.
16. **Marks and number:** The details of 'marking' you have done on parcels to be exported. Also the number mentioned on the parcel. Suppose you have 10 packages to be exported. You have labeled or marked as 1,2,3,….10 serial numbered on each parcel , and written complete address of consignee and your address under respective heads. Here, you write marks and numbers as, "01 – 10" "As addressed" in the column of 'marks and numbers'. The proper marking and labeling is very important while shipping less container load (LCL).
17. **Number and kind of packages:** In this column, you need to mention the total number of packages in the said particular shipment. If you export total 10 packages you can mentioned 10. As you know, there are various kinds of packaging modes. For example: wooden box, drums, corrugated carton boxes, pallets etc. depends up on the nature of cargo. So you can mention the mode of packages you packed the said 10 parcels. If you have packed the said 10 parcels as pallets, you can mention the column of 'number and kind of packages' as '10 pallets'.
18. **Description of Goods**: The Description details of goods are mentioned in this column. Also be alerted that if the shipment is under Letter of Credit, the words mentioned on LC to be matched exactly with your words in documents. I personally suggest, if any spelling error occurred while releasing Letter of credit, let the same spelling error be in the documentation if not changing the meaning of whole body of description. By this statement, I would like to make you remember once again about the importance of accuracy to be maintained in documentation matching with the words of Letter of Credit. Hope you followed me.
19. **Remarks**

20. **Dimension**

21. **Net weight**

22. **Gross weight**

23**. Declaration**: While declaring and signing the invoice means, you are stating all information given in packing list is true. The words of declaration mentioned in the invoice may differ from country to country based on their respective law.

24. **Authorized signatory, rubber stamp and Date** : Means, the person signs on invoice with rubber stamp of the firm. Authorized signatory means, the person to who the exporter authorize to sign invoice on behalf of the exporter.

CERTIFICATE OF ORIGIN

A Certificate of Origin (CO) is a document which is used for certification that the products exported are wholly obtained, produced or manufactured in India. it is generally an integral part of export documents. It is required when:

(a) Goods produced in a particular country are subject to preferential tariff rates in the foreign market at the time of importation.

(b) The goods produced in a particular are banned for import in the foreign market.

India is a Member in World Trade Organisation because of which Indian exports are accorded preferential treatment available to all WTO members. Secondly, India has also entered into bilateral and multilateral trade with its trade partners because of which Indian exports get into these countries at concessional import duty regime in order to avail the preferential treatment, the Indian exporters are required to furnish the proof that the goods manufactured are, indeed, of Indian origin hence, certificate of origin constitutes an integral part of export documents.

TYPES OF CERTIFICATE OF ORIGIN:

(a) Preferential Certificate of Origin: The preferential arrangement under which India is receiving tariff preferences for its exports are:
Generalised System of Preferences (GSP).

Global System of Trade Preferences (GSTP).

SAARC Preferential Trading Agreement (SAPTA).

Asia-Pacific Trade Agreement (APTA).

India-Sri Lanka Free Trade Agreement (ISLFTA).

Indo-Thailand Free Trade Agreement.

These Preferential arrangements/agreements prescribe Rules of Origin which have to be met for exports to be eligible for tariff preference. A number of authorities and agencies have been prescribed by the Government for the issue of certificate of origin. They also provide details regarding rules of origin, list of items covered by an agreement, extent of tariff preference, verification and certification of eligibility. Export Inspection Council (EIC) is the sole agency authorised to print blank certificates.

(b) Non-preferential Certificate of Origin: The Government has also nominated certain agencies to issue Non-preferential Certificate of Origin in accordance with Article II of International Convention relating to simplification of Customs formalities, 1923. These agencies have been specified in Appendix 4C to the Hand Book of Procedures Vol. l (2004-2009). Non-preferential certificate of origin is required in general by all countries for clearance of goods by the importer, on which no preferential tariff is given. These Certificate of Origins evidence origin of goods and do not bestow any right to preferential tariffs. They are issued by:
The authorised Chamber of Commerce.

Trade Association.

CONTENTS OF CERTIFICATE OF ORIGIN:

(a) Name and logo of chamber of commerce.

(b) Name and address of the exporter.

(c) Name and address of the consignee.

(d) Name and the number of Vessel or Flight.

(e) Name of the port of loading.

(f) Name of the port of discharge and place of delivery.

(g) Marks and container number.

(h) Packing and container description.

(i) Total number of containers and packages.

(j) Description of goods in terms of quantity.

(k) Signature and initials of the concerned officer of the issuing authority.

(I) Seal of the issuing authority.

SIGNIFICANCE OF THE CERTIFICATE OF ORIGIN:

(a) Certificate of origin is required for availing of concessions under preferential schemes such as Generalised System of Preferences (GSP).

(b) It is to be submitted to the customs for the assessment of duty and clearance of goods with concessional duty.

(c) Sometimes, in order to ensure that goods bought from some other country have not been reshipped by a seller, a certificate of origin is required.

(d) It is required when the goods produced in a particular country are banned for import in the foreign market.

(e) It helps the buyer in adhering to the import regulations of the country.

BILL OF LADING

Bill of Lading is a document issued by the shipping company or his agent acknowledging the receipt of cargo on board. This is an undertaking to deliver the goods in the same order and condition as received to the consignee or his agent on receipt of freight, the shipping company is entitled to. It is a very important document to the exporter as it constitutes document of title to the goods.

Each shipping company has its own bill of lading. The exporter prepares the bill of lading in the form obtained from the shipping company or agents of shipping company.

The goods can be consigned to order of the exporter, which means the exporter can authorize someone else to receive the goods on his behalf. In such a case, the exporter would discharge the bill of lading on its reverse. When the bill of lading is negotiated through the bank, it would be endorsed in favour of the bank that would endorse further to the importer, on receipt of payment.

Bill of Lading is made in signed set of 2 originals, any one of which can give title to the goods. The shipping company also issues non-negotiable copies (unsigned) which are not documents of title to goods but serves the purpose of record only.

The reverse side of Bill of Lading contains the terms and conditions of the contract of carriage. The clauses on most of the bills of lading are common. A Bill of lading should be clean to facilitate the exporter to obtain the proceeds of export without difficulty. Main Purposes It serves three

Main purposes.
(A) As a document of title to the

(B) (B goods) As a receipt from the shipping company and

(C) As a contract of affreightment (transportation) o good s.

Types of Bill of Lading
(1**) Received for Shipment give B/L:** A shipping company issues it when goods have been given to the custody of the shipping company but they have not been placed on board.
(2) On Board Shipped B/L: The shipping company certificate that at the cargo has been received on board the ship.
(3) Clean B/L: It indicates a clean receipt. In other words, it implies that there has been no defect in the apparent order or condition of goods at the time of receipt or shipment of goods by the shipping company.
(4) Claused or Dirty B/L: It shows that the B/L is qualified which expressly declares a defective condition of goods. The clause may state "bale number 5 hook-damaged" or "package number 10 broken". By superimposing this type of clause, the shipping company is limiting its responsibility at the time oi delivery of goods, at the destination. It is very important to note that bank accepts only a clean B/L at the time of negotiation.

(5)) Transhipment or Through B/L: When the journey covers several modes of transport from the place of starting to the place of destination, this type of B/L is taken. It indicates that transhipment would be en route. For example, part of the journey is by ship and the rest of journey may be by road, rail and air.

(6) Stale B/L: According to international commercial practice, B/L along with other documents must be presented to the bank not later than twenty one days of the date of shipment as given in the B/L. In some cases, the importer may indicate the number of days within which the documents are to be presented from the date of shipment. Exporter has to comply with the stipulation indicated. Otherwise, the B/L becomes stale and is not accepted by the bank for payment. A stale bill is one which is tendered to the presenting bank so late a date that it is impossible for the bank to dispatch to the consignee's place, in time, before the goods arrive at the destination port. hi other words, bank finds it impossible to see the documents reach before the ship reaches the destination.

(7) To Order B/L: In this case, the B/L is issued to the order of a specified person.

(**8) Charter Party B/L:** It covers shipment on a chartered ship.

(**9) Freight paid B/L:** When the shipper pays the freight, then this type of B/L is issued with the words "Freight paid".

(10) Freight Collect B/L: When the freight on the B/L is not paid and to be collected at the point of destination, it is marked "Freight Collect" and this B/L is known as "Freight Collect B/L".

Generally, the importer insists on the "clean on-board shipped" bill of lading with the prohibition of transshipment of goods as goods can suffer damage during transhipment. If transhipment is allowed, even period of journey may take longer.

B/L is a non-negotiable document: A bill of lading is not a negotiable document while it is a transferable document. Transferability enables the exporter to claim payment from the bank even before the goods reach the destination. Similarly, it enables the importer to sell the goods even before they reach the destination.

SHIPPING ORDER

Shipping order is a copy of the shipper’s instruction issued by the shipping company to a shipper regarding the disposition of goods to be transported. It is an inventory control document that identifies the confirmed space booking, the goods to be shipped from the warehouse, and the place to which the goods must be shipped.

A shipping order generally contains

the order number and date,
names and addresses of the shipper,
customs broker, or forwarder,
shipping and receipt dates,
a customer purchase order number,
vessel and voyage number,
sailing time,
delivery date and location,
customs closing date, and
number and type of packages.

The shipping order also includes a space for the recipient's signature. Therefore, the shipping order accompanies the shipment, so that the recipient can verify and sign that the items listed were received.

MATE'S RECEIPT:

Mate's receipt is a receipt issued by the Commanding Officer of the ship when the cargo is loaded on the ship. It is a prima facie evidence that goods are loaded in the vessel. Mate's receipt is first handed over to the Port Trust Authorities. After making payment of all port dues, the exporter or his agent collects the mate's receipt from the Port Trust Authorities. Mate's receipt is freely transferable. It must be handed over to the shipping company in order to get the bill of lading. Bill of lading is prepared on the basis of the mate's receipt.

Mate's receipt is not a document of title of goods. It is merely a receipt of goods. However, it is an important document as without it, the exporter will not be able to obtain the title document of goods, i.e., the bill of lading.

Types of Mate's Receipts:

(a) **Clean Mate's Receipt**: The Commanding Officer of the ship issues a clean mates receipt, if he is satisfied that goods are packed properly and there is no defect in the packing of the cargo or package.

(b) **Qualified Mate's Receipt:** A qualified mate's receipt is issued when the Commanding Officer of the ship is not satisfied with the packing of the goods and the shipping company does not take any responsibility of damage in transit.

Contents of Mate's Receipt:

(a) Name and logo of the shipping line.

(b) Name and address of the shipper.

(c) Name and the number of vessel.

(d) Name of the port of loading.

(e) Name of the port of discharge and place of delivery.

(f) Marks and container number.

(g) Packing and container description.

(h) Total number of containers and packages.

(I) Description of goods in terms of quantity.

(i) Container status and seal number.

(k) Gross weight in kg. and volume in terms of cubic metres.

(I) Shipping bill number and date.

(m) Signature and initials of the Chief Officer.

Significance of Mate's Receipt:

(a) It is an acknowledgement of goods received for export on board the ship.

(b) It is a transferable document. It must be handed over to the shipping company in order to get the bill of lading.

(c) Bill of lading, which is the title of goods, is prepared on the basis of the mate's receipt.

(d) it enables the exporter to clear port trust dues to the Port Trust Authorities.

BILL OF EXCHANGE

What Is a Bill of Exchange?

A bill of exchange is a written order once used primarily in international trade that binds one party to pay a fixed sum of money to another party on demand or at a predetermined date. Bills of exchange are similar to checks and promissory notes—they can be drawn by individuals or banks and are generally transferable by endorsements.

Types of Bill of Exchange

(a) Sight Bill of Exchange: In this Bill of Exchange, also known as demand Bill of Exchange, the drawee has to make the payment, on presentation.
(**b) Usance Bill of Exchange**: In case of Usance or Time Bill or Exchange, payment is to he made on the maturity date, after a certain period, known as tender . When the calculation of period the calculation of period is made with reference to the sight of bill, the bill is known as 'after sight usance Sometimes, the maturity date is vale
(c) Clean Bill of Exchange: A clean Bill of Exchange is one when the relative shipping documents do not accompany with it. In this case, the relative shipping documents i.e. Bill of Lading is sent directly to the importer to enable him to take delivery of the cargo.
(d) Documentary Bill of Exchange: A documentary Bill of Exchange is one where the relative shipping documents such as Bill of Lading, marine insurance policy, invoice and other documents are sent along with the Bill of Exchange. This is the common form in export trade.
The documents are given to the bank either for collection or negotiation. in case the importer gets the documents on acceptance, it is called Documents against Acceptance. If the importer gets the documents only on payment, it is caned Documents against Payment,

After shipment of goods, the exporter draws the bill on the importer or -more as agreed between the exporter and frequently, on hank acting for the importer, importer, the exporter usually draws the hill to his own order or that of his bank. Later, he endorses the bin in favor of his bank. Exporter may request his to collect or purchase the bill. In case of purchase of bin, exporter receives the export proceeds immediately. In any case, the exporter's bank sends the documents to its branch or correspondent. bank in importer's place. The bank at that end sends the intimation of receipt, of documents to the importer either for acceptance or payment, dependent on the nature of bill drawn. In case of Documents against acceptance, importer accepts the bill and then only gets title to goods. In case of Documents against payment, importer has to make the payment for securing delivery of documents.

MARINE INSURANCE

International trade has always relied heavily on sea routes for the transport of various kinds ever since ancient times. Ships have been a primary mode of business well before aeroplanes or trains were invented. However, sea routes were not the easiest as it was plagued with risks such as bad weather, attacks by pirates, collisions, accidents and so on. These perils gave birth to the need for Marine Insurance which is believed to be the very first form of developed insurance. This article talks about Marine Insurance and the essential information related to the same.

Types of Marine Insurances

Like many other types of insurance, marine insurance helps to protect not only a vehicle such as a ship but also the cargo carried and being transported by the ship. It offers coverage in the case of any damages or loss of freight, to vessels and terminals, and any transport by which any property is acquired, transferred or held between the point of origin and its destination. There are mainly four types of Marine Insurance that have been designed for ships, boats, and for shipment that is being transported on either of these carriers. They are as follows:

- **Cargo Insurance:** This kind of a marine insurance policy caters explicitly to a ship's cargo. However, this insurance also covers the belonging of the ship voyager.
- **Freight Insurance:** This kind of marine insurance policy provides an additional layer of security to the merchant vessel's corporation for situations involving loss of cargo due to an unfortunate event. These insurances are required by companies that are facing financial losses due to accidents and other unprecedented circumstances.
- **Liability Insurance:** As the name of the policy indicates, the liability insurance offers compensation when a liability is sought due to a ship crash, collision or an attack.
- **Hull Insurance:** A Liability Insurance is chosen to ensure the protection of the torso and the hull of a vessel including the furniture and articles present within it. This policy safeguards the owner's ship or vessel against any unfortunate situation or accident.

Benefits of a Marine Insurance Plan

Marine insurance comes in handy for all ship or yacht owners for an array of reasons that are mentioned below.

1. Marine Insurance provides an all-around coverage against a wide range of risks that may be faced while at sea.
2. Most of the Marine Insurance providers offer to claim survey assistance around the world along with a claim settlement assistance.

3. Various Marine Insurances providers offer an array of options and plans under the policies for marine insurance explicitly designed for different requirements and budgets depends on the Customer.
4. A marine insurance cover may be customised and tweaked according to the specific needs and budgets of the customers.
5. In various cases, Marine Insurance policies provide an extension to offer protection against any damages that are caused due to strikes, riots and other similar perils.

DUTY DRAWBACK

What is Duty Drawback?

"Drawback is the refund, reduction or waiver in whole or in part of customs duties assessed or collected upon importation of an article or materials which are subsequently exported" – U.S. Customs and Border Protection

Duty Drawbacks is a monetary rebate on goods being imported into the United States through U.S. Customs. If these goods are exported afterward, importers, **exporters**, and manufacturers are eligible for duty drawbacks. Congress amended the duty drawback law in 1980 to allow for 99% of taxes, duties, and fees to be paid when imported merchandise is exported, or destroyed, within 3 years of entering the United States.

Drawback Fundamentals

Duty Drawback, or "Drawback", is a fundamental principle of international trade law and policy under which duties, taxes and fees paid on imported merchandise are refunded upon the exportation of qualified articles. Duty drawback has been part of the international trade policy of the United States since the founding of the country, and the concept of drawback exists in the trade policies of nearly all developed nations. See for example, the concept of "Inward Processing" in the European Union. Duty drawback essentially is an export promotion program intended to eliminate and recover the costs of duties, taxes and fees on merchandise sold on international markets. It is one of the few export incentive programs acceptable under World Trade Organization rules.

II B.A ECONOMICS (EM)/TRADE DOCUMENTATION/ UNIT-II

Marine Insurance: Meaning, Types, Benefits & Coverage

What is Marine Insurance?

Marine insurance definition refers to the insurance of goods dispatched from the country of origin to the country of destination. The term originates from the fact that goods intended for international trade were traditionally transported by sea.

Despite what the name implies, marine insurance is applicable to all modes of transportation of goods. When the goods are sent by air, their insurance is also known as marine cargo insurance.

Insurance is often compulsory in many export trade contracts. It can be the obligation of the exporter or the importer to pay the insurance cost on the shipment, depending on the terms of the contract. However, the need for insurance goes beyond contractual obligations, and there are several valid arguments for buying it before dispatching the export cargo.

Goods should only be insured for transit by one of the following three parties:

- The Forwarding Agent
- The Exporter
- The Importer

How Marine Insurance works?

Marine insurance transfers the liability of the goods from the parties and intermediaries involved to the insurance company. The legal liability of the intermediaries handling the goods is limited to begin with. The exporter, instead of bearing the sole responsibility of the goods, can buy an insurance policy and get coverage for the exported goods against any possible loss or damage.

The carrier of the goods, be it the airline or the shipping company, may bear the cost of damages and losses to the goods while on board. However, the compensation agreed upon is mostly on a ‘per package’ or ‘per consignment’ basis. The coverage so provided may not be sufficient to cover the cost of the goods shipped. Therefore, exporters prefer to ship their products after getting it insured the same with an insurance company.

Marine insurance is necessary to meet the contractual obligations of exports. To align with agreements such as cost insurance and freight (CIF) or carriage and insurance paid (CIP), the exporter needs to take marine insurance to protect the buyer’s or their bank’s interest and honor the contractual obligation. Similarly, in the case of Delivered Duty Unpaid (DDU) and Delivered Duty Paid (DDP) terms, the seller may not be obligated to insure the goods, although in practice they generally do.

To avoid insurance claims, ensure the following:

- Packing of goods should be done keeping in mind their safety during loading and unloading
- Packing should be good enough to withstand natural hazards to the best extent possible
- Keep in mind the possibility of clumsy handling or theft when packing goods.

Types of Marine Insurance

- Freight Insurance
- Liability Insurance
- Hull Insurance
- Marine Cargo Insurance

Freight Insurance

In freight insurance, if the goods are damaged in transit, the operator would lose freight receivables & so the insurance will be provided on compensation for loss of freight.

Liability Insurance

Marine Liability insurance is where compensation is bought to provide any liability occurring on account of a ship crashing or colliding.

Hull Insurance

Hull Insurance covers the hull & torso of the transportation vehicle. It covers the transportation against damages and accidents.

Marine Cargo Insurance

Marine cargo policy refers to the insurance of goods dispatched from the country of origin to the country of destination.

Types of Marine Insurance policies

- Floating Policy
- Voyage Policy
- Time Policy
- Mixed Policy

- Named Policy
- Port Risk Policy
- Fleet Policy
- Single Vessel Policy
- Blanket Policy

Floating policy

Large exporters may opt for an open policy, also known as a blanket policy, instead of taking insurance separately for each shipment. An open policy is a one-time insurance that provides insurance cover against all shipments made during the agreed period, often a year. The exporter may need to declare periodically (say, once a month) the detail of all shipments made during the period, type of goods, modes of transport, destinations, etc.

Voyage policy

A specific policy can be taken for a single lot or consignment only. The exporter needs to purchase insurance cover every time a shipment is sent overseas. The drawback is that extra effort and time is involved each time an exporter sends a consignment. With open policies, on the other hand, shipments are insured automatically.

Time policy

Time policy is generally issued for a year's period. One can issue for more than a year or they may extend to complete a specific voyage. But it is normally for a fixed period. Also under marine insurance in India, time policy can be issued only once a year.

Mixed policy

Mixed policy is a mixture of two policies i.e Voyage policy and Time policy.

Named policy

Named policy is one of the most popular policies in marine insurance policy. The name of the ship is mentioned in the insurance document, stating the policy issued is in the name of the ship.

Port Risk policy

It is a policy taken to ensure the safety of the ship when it is stationed in a port.

Fleet policy

Several ships belonging to the company/owner are covered under one policy. Where it has the advantage of covering even the old ships. Also the policy is a time based policy.

Single Vessel policy

In single vessel policy only one vessel is covered under marine insurance policy.

Blanket policy

In this policy, the owner has to pay the maximum protection amount at the time of buying the policy.

Coverage under various policies

The coverage provided by marine insurance can be understood by going through the risks handled by the insurance policies loaded with various insurance clauses:

- Institute Cargo Clause C provides basic coverage and includes a restricted list of risk covers. It covers the shipment against events such as fire, discharge of cargo in case of distress, explosion, accidents like sinking, capsizing, derailment, collision, etc.
- Institute Cargo clause B offers an additional layer of protection. Not only does it include all the risk covers provided under Clause C, but it also covers the shipment against events such as earthquake, volcanic eruption, and damage due to rainwater, seawater, river water, etc., and loss to package overboard or during loading and unloading.
- Institute Cargo Clause A provides maximum coverage as it covers all risk of loss or damage to the goods. Apart from the risks covered under Clauses B and C, it also covers losses due to breakage, chipping, denting, bruising, theft, non-delivery, all water damage, etc.
- Risks such as wars, strikes, riots, and civil commotions are not covered under the institute cargo clauses. However, the insurer may provide this cover on payment of additional marine insurance premium.

- So in terms of coverage, these three types of marine insurance clauses: Institute Cargo Clauses A, B, and C. Clause A provides maximum coverage, Clause C provides basic risk coverage.

Difference between Fire Insurance & Marine Insurance

Fire insurance is an insurance that covers the risk of fire. The subject matter is any physical asset or property. The moral responsibility is an important condition here. There is no expected profit margin in terms of fire insurance. The insurable interest must be present before taking the policy and also at the time of loss.

Whereas, Marine insurance is one that encompasses risks associated with the sea. The subject matter is the ship, freight or cargo. It does not consist of any clause related to the moral responsibility of the cargo owner or the ship. 10 to 15% profit margin is expected in terms of marine insurance. Also in marine insurance the insurable interest must be only at the time of loss.