

Accident

An unforeseen occurrence of happening; fortuitous event.

Act of God

A natural event, not preventable by any human agency, such as flood, storms, or lightning. Force of nature that a carrier has no control over, and therefore cannot be held accountable for.

All Risks

The broadest form of coverage available, providing protection against all risk of physical loss or damage from any external cause. Does not cover loss or damage due to delay, inherent vice, pre-shipment condition, inadequate packaging, or loss of market. Loss must be fortuitous to be covered.

Approved Merchandise

Goods that are not particularly susceptible to loss or either by reason of their nature or because they are well packed. This term embraces practically all manufactured articles or new merchandise.

As-Is-Where-Is

Description of the terms under which damaged property is sold, meaning that it is to be sold at its present location and in its present condition without warranty as to quality or quantity. See "Salvage Value".

Average Clauses

The perils Clause establishes the basic perils that are covered by the policy, and a total loss due to one of these perils is covered in full. The various Average Clauses determine when PARTIAL LOSSES due to a peril in the Perils Clause are covered. The Average Clauses fall into two categories: F.P.A. (Free of Particular Average) and W.A. (With Average).

Bareboat Charter

A contract to rent a vessel without equipment, crew, fuel, or stores.

Bill of Lading (B/L, Blading, Lading)

The document issued on behalf of the carrier describing the kind and quantity of the goods being shipped, the shipper, the consignee, the ports of loading and discharge and the carrying vessel. The Bill of Lading serves as:

A) Receipt for the merchandise given to the shipper by the carrier

B) Document of title giving lawful possessor title to goods

C) The contract of carriage between shipper and carrier; and

D) Evidence of the apparent condition of the goods when received by the carrier. (If the cargo shows damage, the Master will note exceptions on the B/L, e.g., "all coils rusted," or "13 bags broken and leaking." A B/L lacking such exceptions is a "clean" Bill of Lading, and prima facie evidence of the apparent good order of the cargo).

Break Bulk

Loose cargo, such as cartons, stowed directly in the ship's hold as opposed to containerized or bulk cargo.

See "Containerization".

Bulk Shipments

Shipments which are not packaged, but are loaded directly into the vessel's holds. Examples of commodities that can be shipped in bulk are ores, coal, scrap, iron, grain, rice, vegetable oil, tallow, fuel oil, fertilizers, and similar commodities.

Carriage of Goods by Sea Act (C.O.G.S.A.)

1936 U.S. Statute governs the acts that a carrier is responsible for, and it defines the terms used in shipping. The act provides that the shipowner's liability will be limited to \$500.00 per shipping package, and it states that there is a one year time limit for filing suit against the carrier. This act automatically applies to international ocean movements but not to domestic ocean transits unless the carrier agrees to be bound by it

Carrier

Usually means Steamship Company, but can also refer to trucking company, airlines, or railroads as transporters of cargo.

Certificate of Insurance (Policy of Insurance)

Document issued on behalf of the Underwriter stating the terms and conditions of the marine insurance. Issued when evidence of insurance is required, as by the bank issuing the Letter of Credit (especially on export shipment.)

Charterer

One who rents, hires, or leases a vessel from its owner.

Charter Party

A document containing the terms of a contract for the renting or leasing of a vessel by the owner to the charterer.

Collision

In marine insurance, a vessel striking another vessel or floating (not stationary) object.

Commercial Invoice

The seller's bill of sale for the goods sold, specifying type of goods, quantity and price of each type, and terms of sale.

Common Carrier

Transporter who hold himself out to the general public for the transportation of goods over a definite route and according to a regular schedule.

Concealed Damage

Damage to the contents of a package which is apparently in good condition externally.

Consignee

Party who is to receive goods; usually buyer.

Consignor

Party who ships goods; shipper; usually seller.

Containerization

Shipping system based on large cargo-carrying containers ranging up to 40' long that can be easily interchanged between trucks, trains, and ships without rehandling the contents.

Contingency Insurance

A coverage contingent upon non-performance of a policy issued abroad. If the Assured buys or sells on terms under which the insurance is arranged by the other party, and that Insurance protects the Assured's interest in such shipment.

Contract of Affreightment

The contract of carriage between shipper and carrier, usually expressed in the Bill of Lading, but subject to the Carriage of Goods by Sea Act if a United States Port and a foreign port are involved.

C.T.L. (Constructive Total Loss)

See "Total Loss".

Declaration

Form filled out by Assured and sent to the broker and insurance company when reporting individual shipments coming within the terms of an Open Cargo Policy; usually used for declaring import shipments where evidence of insurance is not required. See "Certificate".

Delay

Even under All Risks coverage, damage due to delay is not recoverable. Most Underwriters have inserted a "Delay Clause" in the Open Cargo Policy, which states specifically that damage caused by delay is not recoverable even if the delay was due to a peril insured against.

Demurrage

- 1) Penalty charged to cargo that is held beyond the generally allowed number of days "free time" before it is picked up by consignee.
- 2) A penalty that Charterer pays vessel owner for keeping vessel at port of, loading or discharge longer than agreed in the Charter Party.

Depreciation

An allowance for a decrease in value of property through deterioration, or damage.

Detention

The prevention, by governmental authority, of vessel and/or cargo leaving port, particularly during time of hostilities.

Deviation

Any unexcused departure from the prescribed or customary way of pursuing the intended voyage covered by the Policy that is of enough significance to alter the risk, such as altering the intended route. Stowage of cargo on deck when an "Under Deck" Bill of Lading has been issued is considered a deviation. An Open Cargo Policy generally includes the Deviation Clause, protecting the cargo owner in case of deviation or change of voyage, or in case of error in the description of the interest, vessel or voyage. The carrier loses the benefit of the Exemptions from Liability in the U.S. Carriage of Goods by Sea Act in the case of intentional

deviation, unless such deviation be for the purpose of attempting to save life, or property at sea.

Difference in Conditions (D.I.C.)

An Open Cargo Policy provides automatic coverage on those shipments which the Assured is obligated to insure and specifically excludes coverage on those shipments which the Assured is not obligated to insure, such as those purchased C.I.F. However, the party responsible for insuring such shipment could be purchasing insurance with more limited insuring conditions than the Assured would have under his own Open Policy, had he had the responsibility of placing the insurance. A D.I.C. Endorsement gives the Assured coverage for the difference in conditions between the coverage provided by the Policy covering the shipment and the broader conditions provided by the Assured's Open

Discharge

To unload cargo from a vessel.

Due Course of Transit

Uninterrupted movement of goods from point of origin to destination without delay caused by cargo owner.

Dunnage

Loose wood or other material used in a vessel's hold to secure and support cargo during voyage to prevent movement.

Duty

A Government's tax levied on imports; in the U.S., collected by U.S. Bureau of Customs.

Exception

A notation on a shipping document (Bill of Lading or Delivery Receipt) qualifying the condition of the merchandise to indicate damage.

Exhibition Cover

A Marine Cargo Policy normally covers only while in due course of transit. An Exhibition Cover extends coverage to include while the merchandise is on exhibit (usually at a trade show) and the return shipment (unless the merchandise is sold). Only the Marine Policy can be so extended to cover while ashore; the War Policy cannot.

EX (Point of Origin)

From the point where the shipment begins movement, e.g. "Ex Factory" or "Ex Mine" or "Ex Warehouse".

F.C. & S. (Free of Capture & Seizure)

Clause excluding war risks from the Marine Policy; war risks can be covered by issuing a separate War Policy with an additional premium being charged

Fire Statute

1851 U.S. Statute that provides no shipowner can be held liable for any loss or damage to merchandise on board his vessel by reason of fire on board unless this fire has been caused by the design or neglect of the shipowner.

F.O.B./F.A.S. Endorsement

If a merchant sells on F.O.B., F.A.S., C&F, or similar terms, it is the buyer's responsibility to place the marine insurance. However, if the buyer purchases marine insurance that does not have a "Warehouse-to-Warehouse" Clause, or Marine Extension clauses, the coverage may not attach until the cargo is placed aboard the vessel. If the merchant has an Open Cargo Policy, an F.O.B./F.A.S. Endorsement provides automatic coverage on such shipments until such time as the buyer's policy attaches. A type of Contingency coverage.

Fortuitous

Accidental; happening by chance.

F.P.A.A.C. (Free of Particular Average-American Conditions)

Limits recovery of partial losses to those directly CAUSED BY the vessel stranding, sinking, burning, or being in collision with another vessel.

F.P.A.E.C. (Free of Particular Average-English Conditions)

Limits recovery of partial losses due to a peril in the Perils Clause to those occurring on a voyage in which the vessel is stranded, sunk, burnt, or in collision with another vessel. Under F.P.A.E.C. it is NOT NECESSARY that the actual damage be caused by the vessel stranding, sinking, burning, or being in collision, but only that one of these HAS OCCURRED during the voyage to open up the F.P.A. Warranty.

Franchise

The percentage of insured value of fixed dollar amount in the policy which must be reached before an insured loss is paid in full.

Similar to a deductible in that insured losses less than the franchise are not paid. Different from a deductible in that insured losses equal to, or more than, the franchise are paid in full.

Freight

The money charged by the carrier for transportation goods.

General Average (G.A.)

Ancient principle of equity in which all parties in a sea adventure (ship, cargo, and freight) proportionately share losses resulting from a voluntary and successful A) Sacrifice of part of the ship or cargo to save the whole adventure from an impending peril, or B) Extraordinary expenses necessarily incurred for the joint benefit of ship and cargo.

General Average Adjuster

A marine specialist who adjusts and prints the statement of General Average; appointed by the shipowner, as a rule, and in the United States is usually a member of the Association of Average Adjusters; collects security and authorizes release of cargo to owners when cargo is fully secured.

General Average Bond

A bond prepared by the General Average Adjuster wherein the owner of the goods binds himself to pay his proportion of the General Average. Ordinarily General Average Adjusters will not authorize delivery of the goods to the owner until he signs this bond which is AKA Average Agreement.

General Average Deposit

A cash deposit (usually based on the estimated percentage of General Average) which the General Average Adjuster demands from the owner of the goods to secure the payment of his proportion of the General Average. This cash deposit is usually demanded as additional security to the General Average Bond. See "General Average Guarantee".

General Average Guarantee

The Insurance Company's written guarantee to the Adjuster guaranteeing to pay the proportion of General Average finally assessed against the goods insured. This guarantee is usually accepted by the Adjuster in lieu of a cash deposit and is additional security to the bond signed by the owner of the goods.

Grounding

Striking or touching the bottom; running ashore. See "Stranding".

Hague Rules

A set of rules for the regulation of foreign bills of lading in the carriage of goods by sea that resulted from a 1921 conference of maritime nations at the Hague.

The 1922 revised Hague Rules were recommended to the governments of the maritime nations or adoption as the basis for their Carriage of Goods by Sea Act which would provide for enforcement. The U.S. adopted the Hague Rules with some changes in 1936 when it passed C.O.G.S.A.

Harter Act

1893 U.S. Statute that relieves the owner of a ship from the consequences of careless or negligent acts in the navigation or in the management of the vessel, and from liability for losses caused by inherent defects or weakness in the vessel itself, provided the owner or his manager has taken all precautions to furnish a seaworthy vessel that has been adequately equipped and manned by a competent master and crew; this act still applies to domestic water shipments by common carriers, although it has been superseded by C.O.G.S.A. on shipments to and from foreign countries.

Increased Value Insurance

Insurance that covers an increase in the value of the property insured. A rising market usually necessitates such insurance, which is ordinarily for a separate amount in excess of the total insured value of the property which has increased in value.

Inherent Vice

A loss caused by the inherent nature of the thing insured and not the result of a casualty or external cause.

Irrespective of Percentage

Means that all loss or damage due to a peril insured against is collectible in full, without a franchise having to be reached, or a deductible applied. See "Average Clauses".

Joint Policy

A policy in which two or more underwriters (companies) participate insuring a single risk. This is not reinsurance.

L.A.S.H. (Lighter Aboard Ship)

A transportation system in which specially designed barges (lighters), after being loaded with cargo, are loaded aboard the vessel to become an integral part of the vessel. See "Lighter".

Lead Underwriter

The underwriter who formulates rates and conditions and accepts the largest participation in a joint policy.

Legal Liability

Responsibility imposed by law.

Letter of Credit

The most common method of financing ocean cargo shipments, whereby a fund is established by the buyer in a bank located near the seller, against which the seller is authorized to draw drafts for goods purchased by the buyer.

Lighter

A large, open flat-bottomed barge used in unloading and loading ships wherever shallow water prevents the ships from coming into shore.

Limitation of Liability

U.S. Act of 1851 granting a shipowner the right to limit his liability for the damage arising out of a collision (provided the collision occurred without his privity or (knowledge) to the value of the vessel at the end of the voyage on which the collision occurred.

Lloyd Register

An alphabetical register of vessels completely describing them and containing other information valuable to a Marine Insurance Company; published by Lloyds Register of Shipping.

Loan Receipt

Document signed by the Assured where he acknowledges receipt of money advanced by the insurance company as an interest free loan (instead of payment of a loss) repayable to the insurance company only if the loss is recovered from a third party and then only to the extent of the recovery.

Loss of Market

A situation in which, for one reason or another, sound cargo is no longer wanted by the consignee when it arrives. This is a "business loss" not recoverable under a Marine Cargo Policy; e.g. Christmas trees arriving in January undamaged.

Marine Extension Clause (M.E.C.)

Clause "temporarily" added to the Cargo Policy during World War II to extend the Warehouse Clause to provide automatic coverage on the cargo from the time it leaves the warehouse of origin until it arrives in the warehouse at destination, regardless of any deviation, delay, forced discharge, reshipment, transshipment, or any other interruption in the due course of transit beyond the control of the Assured. The clause is still common to most cargo policies. See "Warehouse to

Warehouse Clause".

Named Perils Policy

Any marine policy limiting coverage to perils specifically listed in the policy; opposed to All Risks policy. See "All Risks".

Non-Delivery

A cargo loss in which an entire shipping package is missing at destination without any evidence of the cause of its loss; does not include pilferage.

On Deck Cargo

Cargo carried on the main deck of the vessel, or other spaces above the main deck; cargo carried on deck is subject to damage by wind, sea water, and being washed overboard.

Open Policy

A cargo policy with no expiration date that provides automatic coverage of cargo shipments to or from an Assured in a specified trade at agreed rates, terms, and conditions. Usually consists of separate Marine and War policies.

Pallet

A low portable platform, usually wooden, on which cargo is stacked for storage or transportation; a skid.

Partial Loss

Any loss which is less than a total loss; i.e. Particular Average or General Average loss.

Particular Average (PA)

A partial loss of the property insured caused by a peril insured against, and which is not a General Average loss.

Particular Average (PA) Adjustment

Cargo is insured at an agreed valuation; therefore, the surveyor establishes the percentage of damage to the goods which is then applied to the agreed value to determine the amount of claim. Where a percentage of damage cannot be agreed, it is common for the damaged goods to be sold. The amount of claim is then computed by determining the sound market value of the goods on the date of sale (as if undamaged), comparing it to the amount for which they were sold, thereby obtaining a percentage of depreciation which can be applied to the agreed value.

Perils of the Seas

Fortuitous accidents or casualties, peculiar to transportation on navigable water, such as stranding, sinking, collision of the vessel, striking a submerged object, or encountering heavy weather or other usual force of nature.

Pilferage

The theft of part of the contents of a shipping package.

Recovery

See "Subrogation".

Release

Document signed by third party claimant in which he acknowledges receipt of claim payment (by or on behalf of Assured) and agrees to make no further claim.

Ro-Ro (Roll-on-Roll-Off)

A specially constructed vessel having a ramp on the top which can be raised to a vertical position and lowered to permit trucks and trailers to load under their own power.

Salvage

- 1) The service rendered by a third party for assistance in saving ship or cargo from peril.
- 2) The monetary award granted for such service.
- 3) That which is saved.

Salvage Award

The sum awarded to salvors for saving property damaged or endangered in a Maritime adventure.

Salvage Charge

The cost incurred saving, preserving a reclaiming cargo or vessel after an accident.

Salvage Loss Adjustment

- 1) Adjustment of a C.T.L. claim on property where the salvage received by the

Assured is deducted from the insured value, and the difference is paid by the Underwriter to the Assured.<BR

2) Can only be used to adjust PA claims if agreed by Assured and Underwriters prior to the loss. See "Particular Average (PA) Adjustment".<BR

Salvage Value

The amount of money realized by selling damaged property. Also used to describe that portion of the property itself which is salvaged from a loss; i.e. salvage.

Salvor

A Third Party who saves or assists in the saving of a vessel or property from loss at sea.

Seaworthy

The sound condition of a vessel enabling it to successfully meet all the varying conditions of sea, wind, and weather normally to be expected on the voyage.

Shipper's Load and Count

Note on bill of lading indicating that the contents of a container were loaded and counted by the shipper and not checked or verified by the Steamship Company.

Sinking

A vessel losing buoyancy and becoming submerged. It is not necessary that she disappears, as a vessel may sink in shallow waters. If she is submerged to the depth the water permits, she is a sunken vessel.

Stevedore

A person who loads or unloads a ship; a longshoreman.

Stowage

The placement of cargo aboard the vessel.

Stranding

The grounding of the vessel, causing her to remain fast for an appreciable length of time. Mere contact with the ground in which the vessel, without losing her momentum, proceeds on her course, commonly termed "touch-and-go", is not considered a stranding.

Subrogation

The operation by which the insurance company (on payment of a claim) assumes all of the assured's rights to recovery from any third parties; substitution of one creditor for another.

Subrogation Receipt

A document signed by the cargo owner acknowledging receipt of payment of a claim, and assigning his rights of recovery (against any third party) to the insurance company.

Sue and Labor Clause

The clause in a marine policy requiring the Assured, in the event of a loss, to act as a prudent uninsured and minimize damage by taking steps to save and preserve the property from further loss or damage. The clause provides that charges or expenses reasonably incurred in preserving the property are recoverable from Underwriters, if the loss itself is recoverable.

Survey

Report issued by a Surveyor.

Surveyor

A marine specialist who examines damaged property and determines the cause, nature, and extent of damage and methods of repair and/or replacement. He is not an adjuster, and all his actions are without prejudice to policy terms and conditions.

Sweat Damage

Cargo damage caused by water condensing from humid air inside a container due to drop in temperature.

Tare Weight

The weight of the container and material used for packing; tare weight is deducted from the gross weight to get the weight of the contents.

Terms of Sale

The invoice is the sales contract between buyer and seller and indicates the Terms of Sale. (See Diagram, Pages 20 & 21). e.g.:

-EX Factory, Phoenix (From Factory, Phoenix): Seller owns goods until they are picked up at his factory; selling price is the cost of goods.

-F.O.B. Truck, Phoenix (Free on Board Truck, Phoenix): Seller owns goods until they are loaded on truck at his factory; selling price includes all costs so far

plus cost of loading on truck.

-F.A.S. Vessel, Los Angeles (Free Alongside Steamer, Los Angeles): Seller owns goods until they are delivered alongside vessel; selling price includes all costs so far plus cost of loading on vessel.

-F.O.B. Vessel, Los Angeles (Free on Board Vessel, Los Angeles): Seller owns goods until they are loaded on vessel; selling price includes all costs so far plus cost of loading on vessel.

-C.&F., Inchon (Cost and Freight, Inchon): Seller owns goods until they are loaded on vessel; selling price includes all costs so far plus cost of ocean freight.

-C.I.F., Inchon (Cost, Insurance, and Freight, Inchon): Seller owns goods until they are loaded on vessel; selling price includes all costs so far plus cost of ocean marine insurance.

-EX Dock, Inchon (From Dock, Inchon): Seller owns goods until they are unloaded on dock at port of discharge; selling price includes all costs so far plus cost of unloading from vessel.

-F.O.B. Warehouse, Seoul (Free on Board Warehouse, Seoul): Seller owns goods until they are delivered to buyer's warehouse at final destination; selling price includes all costs so far plus transportation to final warehouse.

Time Charter

A contract to rent a fully-equipped vessel including crew for a certain period of time.

Total Loss (T.L.)

Actual Total Loss: Total loss of property insured due to one of the following:

1. Total Destruction: Physical destruction of the property, as plywood being totally consumed by flames.

2. Loss of Specie: Property is so badly damaged that it ceases to be recognizable as the thing shipped, as bags of cement wetted by sea water and hardening.

3. Irretrievable Deprivation: The owner of the property has been deprived of the use of the property, even though it may be undamaged, as when a shipment of silver ingots is lost overboard.

4. Vessel Lost: The vessel (and by implication, her cargo) are posted as "missing" at Lloyds of London.

Constructive Total Loss (C.T.L.): The property has been so damaged that Total Loss is inevitable, or the part or remnant remaining can only be recovered and repaired at a cost exceeding the insured value of the property.

Trade Loss

For commodities that are shipped in bulk, trade loss represents that percentage of a shipment that is considered normal, to that particular trade, to be lost during

the voyage. When insuring such commodities Underwriters will usually apply a deductible equal to, or exceeding, that percentage, in order to avoid paying inevitable losses.

Transhipment

To transfer from one ship or conveyance to another for further transit.

Unapproved Merchandise

Goods especially susceptible to damage or perishable in their own nature which are not acceptable for coverage under an Open Cargo Policy, except under special terms and conditions.

Under Deck

The space below the main deck of a vessel.

Valuation Clause

The Clause in the Marine Policy that contains a fixed basis of valuation agreed upon by the Assured and the Underwriter and which establishes the insured value of the merchandise. The Clause determines the amount payable under any recoverable loss or General Average contribution.

Valued Policy

A policy in which the insured value of the property insured has been agreed to between Assured and Underwriter when the policy is written rather than after a loss has occurred; as opposed to actual cash value policy.

Vessel

Every description of water craft or other artificial contrivance used, or capable of being used, as a means of transportation on water.

Voyage

- 1) A Vessel's complete journey from her Home Port through all of her Ports-Of-Call back to her Home Port.
- 2) The journey of a cargo consignment from its origin to the warehouse of its final destination.

Voyage Charter

A contract to rent a fully-equipped vessel including crew for a specific voyage.

W.A. if amounting to 3% (With Average with a 3% Franchise)

Limits recovery of partial losses due to a peril the Perils Clause to those reaching a Franchise (3% usual for many commodities, but the Franchise can be any percentage of the insured value, or any amount agreed upon by the Assurer and the Assured). See "Franchise". The clause can be written in a variety of ways, including:

- With Average, if amounting to 3%.
- With Particular Average, if amounting to 3%.
- Particular Average Payable, if amounting to 3%.
- Average Payable, if amounting to 3%.
- To Pay Particular Average, if amounting to 3%.
- Subject to Particular Average, if amounting to 3%.

W.A. Irrespective of Percentage (With Average, No Franchise)

Allows full recovery of all partial losses due to a peril in the Perils Clause. This clause can also be written in a variety of ways, as above, with the words "if amounting to 3%" replaced by "irrespective of percentage" or deleted entirely.

Warranties

Expressed Warranty: An agreement written in the policy which must be strictly and literally complied with. A violation thereof voids the insurance.

Implied Warranty: Fundamental conditions implied in a contract of marine insurance:

- 1) Seaworthiness of the vessel;
- 2) Legality of the adventure.

War Risks

Those risks related to two (or more) belligerents engaging in hostilities, whether or not there has been a formal declaration of war. Such risks are excluded by the F.C. & S. (Free of Capture and Seizure) Warranty, but may be covered by a separate War Risk Policy, at an additional premium.

Without Prejudice

- 1) Used to indicate that a report or opinion is objective and unbiased to any interested party involved.
- 2) A claim that is paid "without prejudice" to policy terms and conditions, i.e. the payment will not prejudice the underwriter's position in regard to future claims.