
HOT TOPICS Archives

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Contingency Insurance... a solution for U.S. exporters

The Marine Insurance Policy provides coverage for all shipments FOR WHICH WE ARE OBLIGED TO FURNISH INSURANCE. Most shippers tend to sell on different terms to different clients; and some of these terms require the buyer to furnish the insurance (such as ex-Works, FOB, FAS).

Suppose that your shipper is selling on open account or "sight draft" via "Ex-Works" terms. Theoretically, the buyer is required to provide the marine insurance on this shipment. Suppose the goods arrive damaged, but the buyer refuses to put in a claim against his insurance, and/or also refuses the shipment (as though he bought CIF) and payment to the seller.

The Contingency Insurance Endorsement to the Marine Insurance Policy is specially designed to cover exactly this type of a situation. In the above (and similar situations) the Contingency Insurance would act as a loan while your shipper MAKE EVERY EFFORT TO COLLECT what is owed. Should collection become impossible, the "loan" becomes an insurance settlement to the seller.

All policies do not have "contingency" insurance coverage available, as all shippers and consignees do not necessarily need it. Further, as the name implies, "Contingency" insurance is contingent upon the situation, the terms of sale, the customer(s), the area(s) of the world the shipper is doing business in and the type(s) of insurance they carry, etc.

Contingency insurance is priced at 50% of the regular all risk insurance rates.

To find out more please feel free to call our office or check your policy for the contingency endorsement.

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