CARGO INSURANCE LAWS AND PROCEDURES FOR PALESTINE/ ISRAEL

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The term cargo insurance, popularly known as marine insurance covers physical damage to, or loss of the goods whilst in transit by land, sea and air and offers considerable opportunities and cost advantages if managed correctly.

Different kinds of insurance exist to cover the whole supply chain depending on the type of risk. It must consider every point through the supply chain and measure risk exposure. Accordingly, the Palestinian trader must understand the supply chain weaknesses in order to avoid the risk of financial loss. Various points of exposure which could put assets and cargo at risk may include the type of the product, packaging, storing, transporting, and any fulfillment steps before it gets to the end user or point of sale. This means that cargo insurance is an essential step during the supply chain and life cycle.

Unfortunately, some traders in Palestine do not insure their goods at the different stages of the supply chain due to several reasons, including but not limited to, the fact that Palestinian traders do not have sufficient knowledge concerning this subject, others consider cargo insurance as an unnecessary expense involving extra administration, while there are others who allow suppliers or customers to control this vital area of business. This loss of control not only increases the difficulties of implementing an effective trade risk management strategy, but can also have far reaching effects on profitability.

Understanding what cargo insurance means, and compiling all the information regarding this matter is a key step toward a successful risk avoidance strategy. This guide will help the Palestinian trader to become more familiar with cargo insurance types, availability and cost.

CONTENT:

Annexes:

Why do Palestinian Importers and Exporters need cargo Insurance?

Many major Palestinian exporters and trading companies sell on Cost Insurance and Freight (CIF) terms, or similar terms, which allow them to arrange cargo insurance, usually on an open cover basis or each shipment separately. This is because the insurance cost is legitimately passed on to the customer who also benefits from the insurance. This virtually amounts to free insurance that the exporter controls. Also many foreign buyers see insurance as an essential service provided by the exporter. Exporters who do not provide a 'package' that includes insurance may lose business to competitors who do. On the other hand Palestinian importers who let their suppliers arrange cargo insurance may be paying too much for insurance that does not meet their needs and leaves them with uninsured exposure. Therefore it is advisable for importers and exporters to arrange the cover locally. This will ease conducting survey, in case of loss or damage and speeding up settlement of the claim.

Cargo Insurance Clauses and Polices

The need for export (or import) cargo insurance often differs from exporter to exporter (or importer to importer) and from consignment to consignment. Unless the insurance is mandatory in a trade term, the exporter or the importer may opt not to insure the goods at his/her own risks.

Depending on the international commercial terms, either the seller (the exporter) or the buyer (the importer) is responsible for insuring the cargo. The seller is obligated to insure the cargo in the CIF and CIP terms. The seller may opt not to insure the cargo at his/her own risks in the DDU and DDP terms.

The trade terms DDU and DDP are often used in turnkey projects where the amount at stake is large. In practice, the seller usually insures the cargo in the DDU and DDP terms.

Proof of insurance coverage is contained in a document known as policy or insurance policy. The format of insurance policy varies from insurer to insurer; however, all essentially have the Institute Clauses and the same information as contained in the Insurance Application-Instructions (IAI).

a. Cargo Insurance Clauses

Cargo insurance in Palestine is usually provided by the means of one of following Institute Cargo Clauses:

- ICC(C) – Institute Cargo Clause (C). Most restricted cover.

  For the full text, see website: ://www.jrslm.com/Institute Cargo Clause (C).

- ICC(B)- Institute Cargo Clause (B). Coverage is broader than ICC(C)
  For the full text, see website: ://www.jrslm.com/ICC(B).

- ICC(A) – Institute Cargo Clause (A). Covers "All Risks" which is the widest available. For the full text, see website: ://www.jrslm.com/icc%20A%20CLAUSE.html
- War clauses. For full text, see website:
  ://www.jrslm.com/Institute%20Cargo%20Clauses%20War.

- Strikes Clauses. For full text, see website: ://www.jrslm.com/strikes.

- Institute Cargo Clauses (Air) for the transport of goods by air which is equivalent to the A clauses. For full text, see website: ://www.jrslm.com/ICC-A%20air.

Cargo Clauses (A) provide the most coverage with B and C giving less coverage which is reflected in reduced premiums for the lower cover.

Insurance companies or brokers can provide detailed information about each clause to help choose the most suitable one for your business needs. Annex I may also be helpful.

b. Cargo Insurance Policies

There are different types of insurance policies as indicated in the following chart:

1. Overseas Marine Cargo Insurance Policy

   This type of policy can be covered using one of the institutes Cargo Clauses (A), (B) or (C) explained above.

2. Inland Cargo Insurance Policy
   - Goods in transit policy can be taken up by the owner of the goods or by the transporter. Though the standard cover is 'All Risks' the cover may be restricted at the request of the insured in order to save on the premium.

   - These policies insure cargo whilst in transit from warehouse to warehouse, being carried by road, rail, etc. Broadly, there are different types of coverage with certain mandatory exclusions. These are:

     1. 'C' -- This is the most restricted coverage. Insures against fire and lightning during transit.

     2. 'B' -- Coverage is broader than 'C'. Insures during transit against perils such as fire, lightning, breakage of bridges, accident with or by carrying vehicle, overturning and derailment of carrying vehicle.

     3. 'A' -- Provides complete risk coverage and is the widest available.

     4. 'LTC'- Land transit insurance only: This covers loss of, or damage to, the insured goods arising from fire, impact or overturning of the conveying vehicle whilst in transit or in the course of loading or unloading or whilst temporarily housed in the course of transit.

     5. "TOTAL LOSS" – Covers total loss of goods following total loss of carrying conveyance.

3. Air Cargo Insurance Policy

   This is an Air Institute cargo clause policy. Through this policy the insured is allowed to cover:
   - War
   - Strikes

- Theft, pilferage, non-delivery which includes theft and pilferage by the crew.

It covers loss of, or damage to, the insured goods on the insured value caused by:

1. Theft and/or pilferage;
2. Non-delivery of entire package;
3. Loss or damage for which the liability of the ship owner or other party concerned is exempted by the Contract of Carriage.

The Insured shall take delivery in good time and no claim shall be admitted unless survey shall have been applied for within 10 days after taking delivery in case of theft and/or pilferage and the Certificate of Non delivery obtained from the party concerned in case of Non delivery of entire package.

4. Custom Duty Insurance Policy

This policy insures customs duty chargeable on imported commodities which have sustained damage or loss by transit hazards. Policies are subject to duty Insure Clause.

Note:

- Adjustment facility of sum insured at the end of the policy is provided for.
- Terms of coverage are same as the corresponding marine cargo policy.

5. Increased Value Insurance

This type of insurance insures differences, if any, between the market value of a good and its CIF duty- paid value.

Note:

- This is a form of Profits Insurance.
- The Policy provides the same terms of coverage as under the corresponding marine cargo policy.

6. Special Storage Risks Insurance Policy

This Policy extends the limited storage period at Carriers' warehouse in the Inland Transit Policies.

Coverage for the storage period offered corresponds to the type of coverage (i.e.Inland Transit, 'A', 'B' or 'C') selected for the transit port of the risk.

7. Special Declaration Policy

This policy is granted for establishments where turnover of goods having high frequency of transfers (This policy is granted for companies with high frequency of shipments).
More Institute Clauses can be added to whichever set of main clauses are chosen at a premium fixed by the market agreement, theses clauses are such as:

- ICC- "Institute Frozen Foods Clauses A". For more information: ://www.jrslm.com/froz%20food.
- ICC- "Institute Frozen Meat Clauses A". For more information: ://www.jrslm.com/frozen%20meat.

Insurance Policy versus Insurance Certificate

The insurance policy, either a specific policy or an open policy, is issued once by the insurer. In the case of the exporter holding an open policy, he/she cannot send that sole policy to all the buyers and for all the shipments made over a period of time. Therefore, an insurance certificate is issued by the exporter to each shipment. The blank insurance certificates are supplied by the insurer pre-signed and bearing the open policy number of the exporter. Unless otherwise stipulated in the letter of credit (L/C), the insurance certificate issued under the open policy is acceptable. If the L/C specifically calls for an insurance certificate, the insurance policy is accepted in lieu thereof. In practice, the insurance policy is often used.

In the sample letter of credit the insurance policy is required; hence the bank will not accept the insurance certificate.

Open Policy versus Specific Policy

Open Policy: The open policy also known as blanket policy or floating policy is issued once by the insurer under contract to cover all shipments made by the exporter over a period of time subject to renewal, rather than to one shipment only. It is more often used by the large exporter.

In an open policy the exporter is required to periodically (monthly usually) declare every shipment made to any location, covering any type of goods, and using any means of conveyance, including multimode transport and transshipment, in order that the insurer may calculate the insurance premiums and invoice them accordingly. The exporter completes the insurance declaration form supplied by the insurer and/or supplies the copy of the insurance certificates to the insurer. An insurance declaration form typically contains the information in an Insurance Application-Instructions (IAI).

Specific Policy: The specific policy which is also known as voyage policy is issued by the insurer to cover a particular shipment or one shipment only. The specific policy is often used in many countries. The exporter may use the Insurance Application-Instructions (IAI) or similar form to apply for a specific policy.

Usually, the insurance companies in Palestine hand-deliver the insurance policy to the insurer within half an hour after the receipt of the Insurance Application-Instructions (IAI) or similar form or the documentary proof in the case of an open policy.

Advantages of an Open Policy over a Specific Policy

1. Time Saving and Convenience: In case of specific policies the insurance agent or the broker may take a long time to hand deliver the insurance policy and so the dead line to meet the letter of credit latest negotiation date may not be met. On the other hand, in an open policy the exporter may have the documentary proof of insurance coverage in a matter of minutes by simply completing and signing the blank insurance certificates supplied by the insurer.

2. Shipments Insured Automatically: Under the open policy the insurer most often does not know the shipments made by the exporter before the receipt of the insurance declaration form and/or copy of the insurance certificates, but such shipments are insured.

Where can I get cargo Insurance?

Palestinian shippers can get insurance in one of the following ways:

- Directly from an insurance company,
- Through a freight forwarder,
- From their bank who can offer cargo insurance as a part of a trade financial package.

Many Palestinian companies prefer to use specialist (marine) cargo insurance broker which provides certain services when arranging coverage and also gives additional benefits when dealing with claims and settlement procedures.

Palestinian traders can get cargo insurance from the suggested lists presented in Annexes 1 and 2 that include Insurance companies in Palestine and Israel; in addition to the freight forwarders listed in Annex 3.

How much will it cost me?

The premium the Palestinian trader will pay for insuring his cargo is calculated according to:

- The value of the consignment plus a percentage markup for an extra expense profit margin. Usually, if the shipping term is cost & freight "CRF" then the trader will pay cost + 10%. If the shipping term is FOB then, the trader will pay cost + 20%. While, if the shipping term is ex-works, then the trader will pay cost + 25%.
- Type of good (danger or hazard)
- Other risks (mode of transport, destination, route, mean of transport, etc)

As is the case with all types of cargo insurance, it is recommended that the Palestinian trader spend time searching and getting quotes from a number of insurance providers. Check the available insurance companies in Annex 2.

How to proceed in case of marine loss?

When the importer or exporter face a loss or damage under the policy, certain measures should be taken to ensure proper handling and settlements of the claim.

When the importer or exporter faces a loss or damage under the policy, certain measures should be taken to ensure proper handling and settlements of the claim. In case of loss, follow these instructions.

Instructions to the policy holders

1. Every time you receive a shipment, ensure to do the following:

- Check the consignment before signing the receipt (waybill or similar freight document).
- Count the number of the packages and check with the number stated in the Bill of Lading or Waybill.
- Inspect the packages carefully. Note that a slight damage on the package can mean serious damage inside.
- If there is damage or loss, investigate the aforementioned.

- If possible, take photos to demonstrate the damaged condition of the goods whilst still in the truck or container, or to demonstrate bad stowage.
- Call the insurance company's surveyor to inspect the damage.

2. Safeguard the recovery

Make a note in the freight documents of damage or loss. The remark should be written on the carrier's copy of the freight document, and also be noted in receiver's own copy, manifest prepared by the Stevedoring company, who receives the goods from the vessel. The remark should specify:

- Number of missing and/or damaged packages
- Type of damage (broken, wet, torn contents leaked out)
- Cause of damage, if known (package overturned, wet due to torn/damaged tarpaulin etc.)
- Date and signature
- Send a written notice of damage or loss (letter of protest, usually prepared by the importer's clearing agent) to the carrier/hauler within stipulated time. See more details under Notice of loss or damage.

3. Notify the average agent

Notify the loss or damage to If P & C Insurance's average agent. The average agent makes a survey to establish the extent of the damage or loss, its cause, and other relevant facts bearing on the matter. The average agent may arrange a joint survey with carriers or other liable third party. The average agents are shown in a separate lists under Average Agents.

4. Minimize the damage

Prevent further damage by taking protective measures. Damaged goods should be handled with care. Separate damaged goods from sound goods. Do not destroy damaged goods without insurance company's acceptance. See under Checklist on receipt of goods for printing out the checklists.

5. Claim for indemnity

Always make a detailed claim statement, preferably by using the claim form. The claim must be put forward for settlement under the insurance well before expiry of the time limit for presenting a recovery claim from the hauler, carrier or other third party.

6. Claim documents

Following original documents to be attached to the claim:

- Commercial invoice
- Weight or packing specification (Packing List).
- Bill of Lading or Waybill
- Copy of Notice of Loss to carrier or haulier (Letter of Protest)
- Landing, terminal, or discharge report/receipt (manifest)

- Survey Report with photos
- Any other document stating the circumstances in the case

7. Claims settling

The damage will be settled in accordance with the conditions and terms of the insurance policy. If the local average agent has the status of a settling agent, he can also pay the compensation. If there is not a settling agent in the country, the claim is to be sent to If P & C Insurance Company Ltd.

8. Notice of loss or damage

Send a written notice of damage or loss to the carrier/hauler within stipulated time.
In the case of visible damage, a notice of loss must be given immediately upon taking delivery of the goods.

In practice this is done by making a remark on the consignment note. This remark must also be visible in the carrier's copy.
Always send a separate written notice of loss or damage (a provisional claim) to the last carrier even if a remark has been made in the transport document as stated in the paragraph above.

The notice should contain the following information:

- Heading "Notice of loss or damage"
- Voyage/transport route and B/L, WB No.
- Type of damage or loss noted
- Date and signature

The notice of loss or damage, i.e. the provisional claim should always contain the following paragraph: We reserve the right for ourselves and/or our insurance company to present a specified claim later.

Time limits for filing a provisional claim

Road transport

visible damage at once upon receipt of the goods concealed damage within 7 days from receipt of goods.

Railway

Visible damage at once upon receipt of the goods concealed damage within 7 days from receipt of goods.

Transport by sea

Visible damage at once upon receipt of the goods concealed damage within 3 days from discharge of goods

Transport by air

When damage is noted, but not later than 14 days from receipt of the goods

Special Circumstances of Insurance in the Palestinian Territories

Due to the special war/strike circumstances in the Palestinian territories, international reinsurance companies do not cover the Palestinian local insurance companies. Accordingly, this is reflected on to the insured. Sometimes, as a result of competition between local firms, some companies are forced to insure shipments in cases of war or strike, but the coverage rate ranges between 20 to 25 percent of the value of the shipment.

At land transit clauses, the insurance companies cover shipments against road accidents (only compensating for the damage of goods that occurred from road accident).

Insurance companies face difficulties in movement outside the Palestinian Authority areas to assess damage, accidents. As such, local insurers have to bring private companies in order to assess damages, which leads to higher costs for insurance companies and insurers.

Annex One
List of Insurance Companies in Palestine

- Al Mashreq Insurance Company
  Contact: Mr. Ayub Zu'rb (Samih Khalil – General Manager)
  Ramallah
  P.O.Box 160
  Tel 972-2-295-8090/1/2/3/4
  Fax 972-2-295-8089
  E-mail: @p-ol.

- Arab Insurance Establishment Company
  Contact: Mr. Shaker Hashem
  Nablus
  P.O.Box 166
  Tel 972-9-238-4040
  Fax 972-9-238-4033
  E-mail: @palnet.

- Ahlia Insurance Group - AIG
  Contact: Dr.. Mohammad Saba'wi
  Head Office - Ramallah
  P.O.Box 1933
  Tel 972-2-2986634/5
  Fax 972-2-2986636
  E-mail: @aig.

- National Insurance Company
  Contact: Mr. Aziz Abdel Jawwad
  Ramallah
  P.O.Box 1819
  Tel 972-2-298-3800
  972-2-295-8163
  Fax 972-2-295-8162
  972-2-240-7460
  E-mail: @palnet.

- Palestine Insurance Company
  Contact: Mr. Nsser Ghnaim
  Ramallah
  P.O.Box 1707
  Tel 972-2-298-7603/4
  Fax 972-2-298-5894

- Trust International
  Contact: Mr.Jamal Al Hamoud
  Gaza
  P.O.Box 1038

Tel 972-8-282-3446
Fax 972-8-282-3447

- Al- Takaful Palestine insurance Co.
  Ramallah
  P.O.Box 4444
  Tel 972-2 -240-4211
  Fax 972-2-240-4213

Annex Two
List of Insurance Companies in Israel

- http://www.ayalon-ins.co.il
- http://www.bth.co.il
- http://www.igudbit.org.il
- http://www.dikla.co.il
- http://www.555.co.il
- http://www.eliahu.co.il
- http://www.harel-group.com/insurance.html
- http://www.ildinsur.co.il
- http://www.menoramivt.co.il
- https://www.migdal.co.il
- http://www.fnx.co.il
- http://www.nk-ins.co.il
- http://www.shomera.co.il

Annex Three
Freight Forwarders offering Cargo Insurance

- www.sharoncargo.com/default.htm
- www.jctrans.net/Company/list_Israel_3.html

Annex Four
Links to Important Israeli Sites

- The Standards Institution of Israel - www.sii.org.il
- The Ministry of Industry, Trade and Labor - www.moital.gov.il
- The Israel Export & International Institute - www.export.gov.il

Annex Five
Cases of Insurance Problems Encountered by Palestinian Traders

The below illustrates three insurance cases that were encountered by three different Palestinian traders.

Case 1: Damaged Imported Goods Received at Importers Premises (Final Destination)

Importer Name: Anonymous

Time when problem Occurred: Year 2008

Goods: Medicine

Description: An imported container of medicine was shipped from port to the warehouse of the Palestinian trader. During the unloading process, workers found out that there are some damaged cartons inside the container, the employees quarantined the damaged boxes, however, they haven't informed their supervisor of this incident; thereby, no claim was raised to the insurance company. Thereafter, when the list of received items was audited by the logistics department, they immediately informed the insurance company to send their surveyor. However, since the container was already off-loaded; the surveyor refused to process the claim since the cartons were not in the original status and no photos were taken. After several negotiations with the insurance company and since the importer was a trustworthy customer, the insurance company agreed to pay the claim.

Recommendation: The insurer should always inform the insurance company immediately if any damages or shortages are found in goods received. The insurer should take photos and should not proceed with the unloading until a surveyor check the goods and evaluate the loss.

Case 2: The Real Value of Insured Goods

Importer Name: Anonymous

Time When Problem Occurred: Year 2007

Goods: Stationary

Description: An importer was informed by his clearing agent that his container was hit while off-loading from the vessel, the insurance representative was called to witness and take action to close this claim, all original shipping documents was given to the insurance company; claim was closed and the importer was compensated with the value of insured goods as per invoices submitted.

The problem faced this importer is the declared value of goods, as he didn't declare the real value in his invoice, he declared a lower value for the sake of lowering the duties to be paid, this is done sometimes and some importers manage to do so without customs re-evaluation.

The compensation the importer received was less than the actual cost of goods he paid to the supplier, as the insurance company pays only against the invoices he received, and this leads to importer loosing the difference.

Recommendation: All traders' (importers / exporter) should always declare the actual value of goods.

Case 3: Clearing Time After Arrival

Importer Name: Anonymous

Time when problem Occurred: year 2008

Goods: Home Appliances

Description: After the arrival of an importer's shipment to the port, he decided to store the goods at an Israeli Bonded warehouse where imported good can be stored for a period of time without paying all duties. The importer cleared the shipment after four months. After checking the goods at his warehouse, he found out that there are some damages.
The rule of insurance says the insurance coverage is valid till the final destination, either to importer warehouse or to the bonded; moreover, the insurance coverage is valid for 30 days of goods arrival in case of air shipments, and for 60 days in case of sea shipments. Thereby, at this case the final destination was considered the Bonded and since the claim was filed after 60 days, the insurance company rejected the claim.

Recommendation: Importers should always check the conditions of the insurance policy, make sure that it reflects what is needed and apply for time extension if necessary.

Annex Six
Terminology

Palestinian importers and exporters should carefully understand all the terms related to insurance in order to avoid misunderstandings. The following terms can be helpful:

- **Proximately caused by or Reasonably attributable to**: are phrases with the same meaning which refer to the chain of causes that lead to the loss or damage to the subject matter insured.

- **Malicious damage**: The exclusion in the deliberate damage to or deliberate destruction of the property insured or any part thereof by the wrongful act of any person(s).

- **Willful misconduct of the assured**: If the loss or damage is the result of negligence or actions taken by the insured, he/she cannot claim such loss or damage.

- **General average sacrifice**: sacrifice in the cargo for the benefit of saving the rest commodities and the vessel.

- **Law of General Average**: is a legal principle of maritime law according to which all parties in a sea venture proportionally share any losses resulting from a voluntary sacrifice of part of the ship or cargo to save the whole in an emergency.

- **Jettison:** means the cargo is thrown overboard to lighten the vessel during a storm or when a vessel grounds and can be floated at high tide with lesser load.

- **Inherent vice or nature of the subject matter insured:** The word "vice" means fault. The inherent vice means the nature or characteristic of a product which could result in damage to the product despite all care and caution by the carrier.

- **Strikes, riots and civil commotions, includes terrorists or any persons acting from a political motive:** The insurance does not cover loss, damage or expense caused by or resulting from: strikers, locked-out workmen, or persons taking part in labor disturbances, riots or civil commotions; strikes, lock-outs, labor disturbances, riots or civil commotions; terrorists or any persons acting from a political motive.

- **Use of any atomic or nuclear weapon**: The exclusion is the use of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter. This exclusion also appeared in the Institute War Clauses.

- **Ordinary leakage, ordinary loss in weight or volume of the subject matter:** The ordinary leakage or ordinary loss in weight or volume is a form of inherent vice. The natural processes of evaporation (liquid turns to gas) and sublimation (solid turns to gas) may be involved.

- **Ordinary wear and tear of the subject matter**: The ordinary wear and tear of the subject matter is often linked to the insufficiency or unsuitability of packing where the cargo may move and 'rub' against each other or against the container during the sea voyage because of high wind and waves.

- **The assured privy to the unseaworthy of vessel or craft and/or unfitness of vessel, craft, conveyance, or container at the time of loading**: The word "privy" means having knowledge of. If the shipper knows that the vessel, craft, conveyance, or container is unseaworthy or unfit but still uses it, Then any loss, damage or expense arising from such use is excluded.

- **Export Credit Risk Insurance:** risks of non-payment due to buyer's insolvency or default, government blockage of currency transfer, and other risks, known as credit risks.

- **Principles of Cargo (Marine) Insurance:** The cargo (marine) insurance works on the principles of insurable interest, utmost good faith, and indemnity.

- **Insurable Interest:** When the goods are lost or damaged and the owner of the goods suffers a loss, fails to realize an expected profit, or incurs liability from the loss or damage, the owner is deemed to have an insurable interest in the goods.

- **Institute Cargo Clauses (All Risks):** The All Risks (A.R.) is the broadest form of coverage commonly encountered in exporting. It covers all risks of physical loss or damage from any external causes irrespective of percentage.

- **Institute Cargo Clauses (With Average):** The With Average (W.A.) is a less inclusive form of coverage than the All Risks. It covers against total loss and partial loss caused by the perils of the sea, jettison of cargo, barratry, and other like perils.

- **Institute Cargo Clauses (Free of Particular Average):** mean excluding partial loss.

- **The Free of Particular Average (F.P.A.):** Is the narrowest form of coverage. It covers against total loss. When partial loss is specifically covered in the policy, it is recoverable from the insurer only if the loss is the result of the carrying vessel being stranded, sunk or burnt, on fire, or in collision.