10 Insurance

Insurance

By QBE Insurance

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Businesses are exposed to a wide range of risks every day they trade. For exporters and importers these risks are magnified due to the distance between trading parties which can make the recovery of goods and debts difficult and costly when something goes wrong.

For exporters, there is the risk of non-payment for goods exported. For importers, there is the risk of payment for goods that are not delivered to contract requirements. Some common reasons for payment disputes include:

- Shipments lost in transit.
- Goods delivered in a damaged state.
- Significant transport delays affecting sale price.
- Goods purchaser unable or unwilling to pay.

To help mitigate these risks, New Zealand exporters and importers can secure insurance to protect them and their balance sheets from some of the uncertainties of trade. There are four key areas relevant to trade where insurance can play a critical role.

1. **Marine Cargo insurance** protects businesses from the diverse risks that products are exposed to during transportation.
2. **Product Liability insurance** protects businesses against legal liability from third party injury or property damage.
3. **Trade Credit insurance** insures businesses against bad debts; a necessity when dealing with business partners, particularly in foreign transactions.
4. **Business Travel insurance** covers your business for financial disruption caused by a serious accident, illness or delay when travelling to other countries for business.

The following sections outline the insurance areas of particular importance to traders, highlighting certain issues that traders should be aware of when purchasing insurance.

Marine Cargo Insurance

Marine Cargo insurance is primarily concerned with loss or damage of goods from physical risks during transportation. While the method of transport may not involve a ship, it is often referred to as 'marine' – a tradition which goes back to the days when the only way to transport goods internationally was by ship. For the price of an insurance premium, importers and exporters can largely avoid the business risk involved in the transportation of their goods, as the financial risk is either partially or completely transferred to the insurer.

Comprehensive policy wordings will also assist with alleviating commercial trading risks, such as financial failure of logistics operators, imported goods that reach their destination devalued due to unforseen delays or loss of profits caused by damaged or spoiled goods. For instance, in the US containerised chocolates were sent by rail in summer with no temperature specifications and therefore no refrigeration. The chocolates melted during transportation and were therefore spoiled and unacceptable to the purchaser.

Cargo policies can be complicated for the uninitiated; therefore traders would be well-advised to seek the services of an experienced insurance broker. It is important for traders to obtain advice from a broker who understands the hazards encountered by their particular business, so that they can advise of the best coverage, tailor a plan to suit and find the best rates available.

The advantages of Marine Cargo insurance may include:

- Tailored cover to include exactly what you need. Policy wordings designed to suit your goods, Terms of Sale, method of transportation and any other risks which are inherent to your product or business.
- Guaranteed cover at pre-arranged rates and conditions.
- No need to arrange separate policies for each individual shipment.
- Insurance cover normally starts the moment the goods are in transit and at the risk of the importer or exporter.
- Losses are covered regardless of whether they occur before the importer or exporter has given details of the shipment to the insurer.

What your insurance will cover

Marine Cargo insurance will generally provide cover from the time the goods are removed from their pallet racking in the new zealand export and trade handbook 2016

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