

Covid-19: Effects on Cargo in Transit

At this uncertain time we are presently in it is important to think about insurance relating to goods on the move as this pandemic is consistently bringing sudden changes to Cargo transportation. With territories going into lockdown, this creates uncertainty for imports/exports and businesses must consider the risks this may pose to their goods, specifically high value or perishable/temperature sensitive goods. Although most Governments have declared that Cargo transportations are an essential activity, a large number of transport businesses are shutting down and are therefore unable to handle Cargo.

1. Cargo in Transit

Firstly, it is not uncommon for goods to be diverted mid route or to be stored for longer than hoped for whilst in transit. If there is a mandatory change of route, cover should remain in force however it is important to contact us as soon as you are made aware so we can notify the insurers. For goods that are temporarily put into storage whilst on route, Institute Cargo Clauses (A) allows for goods to be stored for a period of up to 60 days, if you believe this could be exceeded, please let us know. Institute Cargo Clauses are attached to the majority of Cargo insurance policies and these clauses specify how cover applies should there be damage or loss to the shipment.

Also, in economic situations such as the one we are presently in, we often see a spike in theft of goods during transit. Specifically, this occurs when goods being moved by road vehicles take their scheduled stops, particularly overnight. Where possible, especially for high value goods, ensure your goods are not travelling in curtain sided vehicles and stops are confined to secure compounds. However, if theft does occur during transit, this would be physical loss and as such cover should be in force.

2. Delivery

It is also important that attention is paid to ensure that goods are being delivered. Where possible, businesses should obtain confirmation that the final destination are able to receive the cargo before beginning the shipment. We advise you to prepare for possible non-delivery with an increasing number of businesses ceasing operations at short notice, as a cargo policy would not cover this scenario. Preparations could include seeking temporary storage locations near the delivery address and obtaining quotations for the transit if goods need to be returned to you.

3. Contingency/Risk Management (Perishable) – Delay

We highlighted in one of our previous COVID-19 documents relating to Goods in Storage, that businesses should take extra precaution and in particular with goods that are perishable. The Institute Cargo Clauses A contains an exclusion for both 'Inherent Vice' and also 'Delay'. Inherent Vice is damage to goods due to their nature rather than an external force; for example, a banana rotting or metal rusting. If the route is suddenly changed leading to the goods being in transport for a longer period of time, will they arrive in the correct condition as both Delay and Inherent Vice are excluded under Cargo insurance policies.

With regards to contingency planning, we recommend developing a business continuity plan in the scenario that goods arrive much later than originally planned. If your business operates on tight schedules, a contingency plan in the event that goods are delayed is advised.

4. Accumulation Risk

Lastly, something to consider is the potential accumulation risk with goods that are in transit. Accumulation is the risk to insurers of being exposed to multiple claims from one insured event. To protect insurers against this, most Cargo insurance policies have a maximum any one claim limit of twice (+100%) of the maximum conveyance amount. For example, if your insurance policy has a maximum conveyance limit of £100,000, the maximum claim limit would be £200,000. With some shipments currently being diverted and/or being held longer at storage locations, there is a chance that a build-up of shipments could occur (in a warehouse en route for example) if you are a business that imports/exports goods on a regular basis. If there is a chance that this could happen, please let us know so we find the correct solution for you with insurers.

This is a constantly evolving situation so if you have any queries, as always, please do not hesitate to contact us.

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