An international movement of goods, which could interline several modes of transport, might involve several bills of lading setting different levels and conditions of liability for loss or damage. You should exercise caution to ensure that the terms of the contract of carriage are the same or compatible on all bills of lading.

The carrier or transport enterprise, unless acting as principal assuming full responsibility for the shipment of the goods, is not an insurer of those goods, but is bound to take all reasonable care of them and is liable for loss or damage occasioned by its negligence.

Freight Insurance

The liabilities of a water carrier are much different from those of a rail or highway carrier. A shipper can obtain a clean, signed ocean bill of lading from a steamship carrier, and sometime later find that the goods did not arrive at the destination port because they were jettisoned to prevent the ship from sinking in high seas. In most cases, the exporter has no recourse against the steamship company. Unless the goods were insured, their value is lost.

Marine insurance, therefore, is an essential element in international trade and transportation, providing financial protection against loss or damage to cargo incurred by reason of maritime peril.

1. General Considerations: Marine Insurance

A marine insurance policy is a contract of indemnity, but not a perfect one. To indemnify means simply to put a person back into their original situation with respect to a specified thing or a certain condition.

Insurance strives to make good whatever financial loss a person may have suffered through the destruction or depreciation of the true value of the insured commodity. It does not endeavour to reimburse the assured for any sentimental or aesthetic value, unless such value can be measured financially and the policy agrees that it shall be insured.

In many transactions, it is common for Canadian exporters, even those selling on FAS (Free Alongside Ship) or FOB (Free on Board) terms, to control the placing or arranging of marine and war risk insurance on a "warehouse-to-warehouse" basis, for "account of whom it may concern," as an additional provision in the contract of sale. In this situation, the cost of insurance is charged to the buyer as a separate item of expense in addition to the FAS or FOB price.

There are several reasons for this: foreign buyers, who may not be able to secure their investment, are protected with Canadian insurance coverage; Canadian exporters, who sell goods on extended payment terms, are financially at risk while the goods are in transit to overseas destinations.

a. Certificate of Insurance

Under the usual form of "open cargo policy" issued to exporters, the assured has authority to issue special policies of insurance or insurance certificates. In most transactions involving bank credit, a certificate of insurance is a prerequisite (Figure 6).

The certificate of insurance constitutes evidence of insurance protection on the shipment specifically described therein, and provides the means of transferring the insurance protection to other interested parties such as the buyer, importer or consignee. Overseas selling is facilitated by arranging insurance protection "for account of whom it may concern," that is for the benefit of all parties to the sales contract.

2. Arranging Insurance

Insurance may be arranged in one of several ways:

- directly with the insurer;
- with an insurance broker or agent; or
- through a freight forwarder or customs broker.

It is customary to arrange marine insurance through an intermediary who is familiar with the technicalities of both shipping and insurance. Agents are usually paid by the person who hires them. In the case of insurance, however, compensation comes from the insurer in the form of a percentage of the premium paid. This percentage is absorbed by the insurers as an operating cost and would not be saved by dealing directly with them.