

POLICY TYPES

Two main types of policies are available: individual and open cover policies. An individual policy covers one specific shipment of goods which is specified in the policy. Although these policies allow the exporter to arrange insurance on each individual shipment, they can be cumbersome and expensive. A shipment may be overlooked and thus be uninsured. Insurance rates can fluctuate and, unless long-term coverage is arranged, the premium on each shipment could vary according to the claims experience of previous shipments.

An open cover policy extends over a period of time and specifies the type of goods and voyages covered. If a company has regular overseas business, it is advantageous to arrange for such a long-term contract with an insurance company. With the purchase of an open policy, the Canadian exporter-importer acquires coverage that is specifically tailored, which, in addition to covering the specific shipment, also provides the following:

- automatic coverage for all shipments (including protection in the event of actually forgetting to report a shipment);
- protection against loss or damage due to rejection by customer (i.e. cover would continue in storage or return, subject to the advice of insurers);
- the option to purchase Seller's Interest Insurance (also known as Contingency Insurance), if sales are made FOB. This protects the shipper should the buyer's insurance coverage be inadequate for the export shipment and, alternatively, should a difference in conditions exist for shipments; and
- agreed limits of liability for any one ship, aircraft or location.

Some of these policies are for a stated period of time, others may be continuous and subject to cancellation upon notice by either party. The insured is given definite provisions as to conditions and rates applicable under normal circumstances. While awaiting shipment or after discharge, there is generally a monetary limit per location and vessel. Details and values are generally sent to the insurer at regular intervals.

The open cover policy cannot be transferred to overseas entities. When a policy of insurance is demanded by the buyer, a certificate of insurance is issued which outlines the coverage terms under the open policy and has spaces for the exporter to fill in details of the particular shipment involved.