

Global Trade – Marine Insurance

Risks & Solutions

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Objectives of this Presentation



- Improve your understanding of the traditional Ocean Cargo policy
- Identifying risk issues and what to consider to mitigate loss
- Increase your knowledge of potential security problems which impact cargo and how they can be addressed through loss control



My Background



- Accounting firm – 2 yrs
- Worked for a footwear importer/Retailer – CFO and COO...15 years
- For the past 24 years – Risk Manager / Insurance...specializing in the apparel industry
- Identify, Assess and Mitigate risk
- Work very closely with CPA firms in the NY area



Traditional View of Ocean Cargo Policy

Customer does not understand the product they are buying

- **OPEN CARGO POLICY**
 - Open and continuous form (no expiration)
 - Covers all the policy holders goods in transit
 - Automatic protection for all goods shipped
 - From moment they leave foreign warehouse to their final destination

BE PROACTIVE: YOU DON'T WANT SURPRISES!

Policy Basics

- What is Ocean Cargo Insurance?
- How can this policy protect you?
- When do you need to insure?
- What does a typical policy cover?
- How is it priced?

What is Cargo Insurance?



Insurance on Lawful Goods & Merchandise

- In transit
- From warehouse to warehouse
- Covers against physical loss or damage from any external cause
- By land, air or sea



Scope of Risk

- Upon leaving the factory producing the goods
- Trucker p/u and delivering to pier/airport
- While on board the overseas conveyance
- Warehouse coverage
- In-land transit to customer
- Customer receives – final destination
- War, terrorism, strikes, riots & civil commotion

DOOR TO DOOR!

Options for Protecting Against Loss

Possible options are

- Relying upon carrier to provide protection
- Foreign buyer/seller provides insurance
- Freight Forwarder arranges insurance
- U.S. buyer/seller (you) purchases own insurance

Relying on Carrier

- Advantages
 - Usually Inexpensive
 - Easy to arrange
- Disadvantages
 - Liability only – unless specific coverage is purchased
 - Potential claim issues - what's covered?

Foreign Buyer/Seller Buys Insurance

- Advantages
 - Convenient
- Disadvantages
 - Possible inadequate insuring terms
 - Possible inadequate valuation
 - Possible inadequate limits
 - Possible inadequate duration of coverage
 - Loss settlement
 - Language barrier

Freight Forwarder Provides Insurance



- Advantages
 - Convenient
 - Provides other services to you
- Disadvantages
 - Costly
 - Subject to terms of the master policy
 - Lack of control & knowledge
 - Loss settlement



Open Ocean Cargo Contract



- Advantages
 - Control extent of coverage
 - Insurer can provide loss control services to reduce risk
 - Cost
 - Claims handled by own insurer
 - Subrogation recoveries maximized
- Disadvantages
 - ?



Commodity Specific Pricing



- Theft & hijack potential
- Susceptibility to moisture
- Susceptibility to handling damage
- Past loss experience
- Deductible
- Average and maximum values



Key Provisions

- Policy conditions - coverage clauses, deductibles, limits, etc
- Warehouse to Warehouse
- Valuation: Ranges from CIF to Selling Price
- Additional coverages - consequential damage and pairs/sets



Examples of Cargo “Vulnerability” & What Were Standards of Care?

- Dallas, TX:
Driver left trailer unattended in unsecured area. Soft wear valued at \$600k+



- Why was the trailer unattended in an unsecured area?....Set up procedures and practices

Examples of Cargo “Vulnerability” & What Were Standards of Care?



- Kearny , NJ:
Driver using a false name, knowing procedures and shipment destination, stole entire shipment of wearing apparel
- Did the yard master obtain ID from the driver picking up the load?



Examples of Cargo “Vulnerability” & What Were Standards of Care?

- Southaven, MS:
GPS
disconnected
from Tractor
Trailer



- Reliance upon Technology alone is not sufficient to thwart loss

Examples of Cargo “Vulnerability” & What Were The Standards of Care?

- LA, CA:
Driver picked up load and 20 minutes later stopped for lunch... Stolen!



- Why did driver stop?
 - Lack of Training & Seminars!

Transportation Systems & Their Vulnerability To Cargo Theft

Development of Proactive Strategies Reduce the Vulnerability to Loss



Those strategies should include

- Facility Management
- Cargo Management
- Human Resource Management
- Information Management
- Development – Internal/External Partnerships



Facility Management



- Warehouse Layout
- Inventory Mgt & Control Systems
- Facility Physical Security
- Facility Monitoring Systems
- Access Control Systems

Cargo Management



- Prevention, detection & reporting of anomalies (unusual cause of loss)
- Exploitation of cargo tracking/tracing solutions
- Exploitation of cargo & vehicle anti – tampering solutions
- Containerization and palletizing



HR Management

- Employee vetting process
 - Verify drivers?
- Employee training
 - What to do if you are hijacked? PPP
- Information dissemination to employees
 - high visibility items should be kept quiet
- Organizational roles and responsibilities defined
 - Roles defined
 - trailers packed/seal #'s coordinated
 - Security Culture defined!!

Information Management

- Quality of Information & Data Management
 - Info to stay within company channels, otherwise prime target
- Protection of business information / data to include security of hardware systems
- Dissemination and confidentiality of shipping information

APPAREL TRACEABILITY IS NIL
– Not Detectable / no security numbers

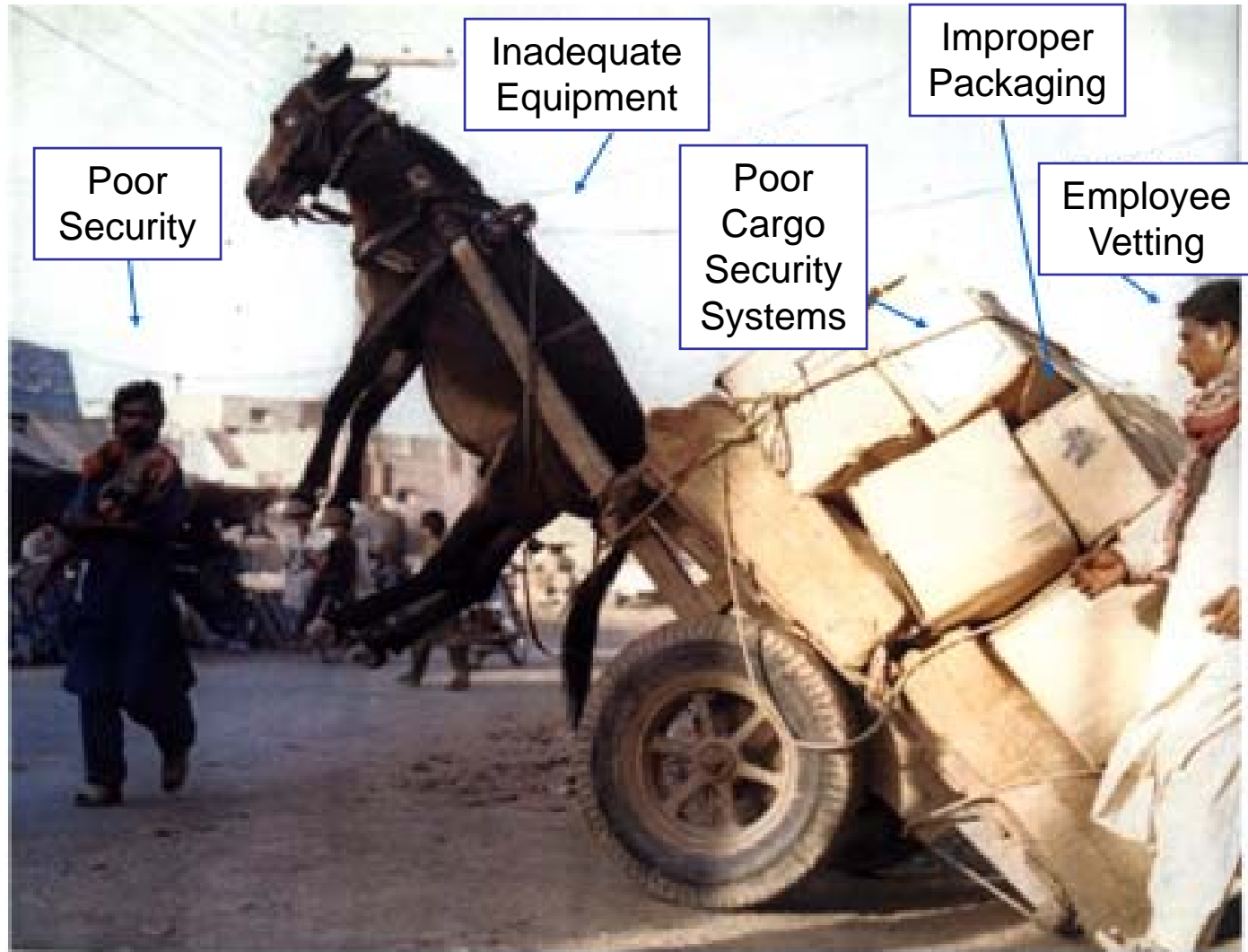
Internal/External Company Partners



- Company Management
 - Risk Management
 - Information Management
- EXTERNAL: Some carriers sponsor programs to establish standards of care from Mexico, China, India, Central America, etc
 - ICSC
 - TAPA
 - ATA
- **MANY RESOURCES ARE AVAILABLE WITH THE ASSISTANCE OF YOUR RISK MANAGEMENT TEAM**



The Wrong Partner



Thank You!



Questions?

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