

# 国际贸易实务(双语版)

## Chapter 10

### Cargo Transportation Insurance



# Teaching Plan 3

## Teaching Contents

1. Section 4 Marine Insurance Contract
2. Section 5 Endorsement of the insurance policy
3. Section 6 Insurance practice in China
4. Section 7 Calculation of insurance amount and premium
5. Section 8 Insurance clauses

Teaching time: Two-class hour (90 minutes)

## Learning Objectives

1. Understand the types and importance of marine insurance contract
2. Learn to endorse the insurance policy
3. Understand the insurance practice in China
4. Master the calculation of insurance amount and premium
5. Master and learn to apply insurance clauses

## **Important Points:**

- 1.Types and importance of marine insurance contract**
- 2.Endorsement of the insurance policy**
- 3.Calculation of insurance amount and premium**
- 4.Insurance clauses**

## **Difficult Points:**

- 1.Calculation of insurance amount and premium**
- 2.Insurance clauses**

## **Teaching Methodology:**

**Questions and Answers; Presentation; Group discussion; Case analysis**

## **Teaching Aids:**

**PPT, blackboard, multimedia classroom**

# Section 4 Marine Insurance Contract

Marine insurance contract is one of most important documents in international trade. The widely used documents include:

1. Insurance policy
2. Insurance certificate
3. Open policy
4. Combined certificate
5. Endorsement

## **1)Insurance policy(保险单)**

**Insurance policy is a written contract of insurance in which the rights and duties of the insurer and the insured are set out. It mainly includes the following information: name of the insurer, name of the insured, subject-matter insured, insured value, insured amount, insurance liability, excluded duties, period of insurance, premium and so on.**

## **2)Insurance certificate (保险凭证)**

**Insurance certificate include the main contents, but does not contain the stipulations of the rights and duties on the back**

**Insurance policy and insurance certificate have the same legal effect**



### **3) Open policy (预约保单)**

**This type of policy is of great importance for import and export business. It is convenient method for insuring the goods. An open policy covers these shipment as soon as they are made, under the previous arrangement between the insured and the insurance company.**

### **4) Combined certificate (联合凭证)**

**When the goods are exported to Hongkong, and some countries in Southeast Asia, the insurance company sometimes adds the coverage and insurance amount on the commercial invoice . This is a certificate which combines the invoice with the insurance policy. It is the simplest insurance certificate in use**



## **5)Endorsement(保險更改批單)**

**After insurance has been taken out, if the insured wants to replenish or change the contents of the policy, he may apply to the company for the same. After agreement by the company, another certificate which indicates the relative amendment will be issued. This certificate is called endorsement.**



## **Section 5 Endorsement of the insurance policy**

**Almost the same as the endorsement of B/L.**

## **Section 6 Insurance practice in China**

### **1) To insure**

**When the import and export goods are transported from the port of shipment to the port of destination, the buyer (under FOB, CFR, FCA and CPT) and the seller (under CIF and CIP) are required to insure the goods through the insurance company**

### **2) Insurance documents**

**Insurance documents are the legal papers to testify the setting up of the insurance contract between the insured and the insurance company. They are the certificates to show that the insurer promises to insure the goods, and serve as the documents for settlement of payment (under CIF and CIP) and proof for claims and settlement of claims**



## **3) Insurance claim**

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**1) The parties to claim against**

**Usually the exporter, insurance company or transportation company**

**2) Valid period of claim**

**Insurance claim should be made when the damage or losses occur within the insured period. And the period for insurance claim has its limitation, which is usually 2 years from the date when the cargo is unloaded from the vessel. Namely, the insured have to claim for the losses within 2 years or the insured will be deprived of the right of claim.**

## Insurance claim

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### 3) Advice of losses

**When the insured become aware of the losses or the damage, he is supposed to inform the insurance company or its agent right away.**

### 4) The survey agent and claim settlement agent

Upon receiving the advice, the insurer, the survey or the claim settlement agent should immediately take correspondent actions, like inspecting the losses, working out the proposals for rescue, identifying the liabilities and issuing the inspection report... and if the claim is found to be justifiable, pay indemnity to the insured.

## Insurance claim

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### **5) Claim for damages on the carrier and other parties concerned**

**Apart from informing the insurer of the losses, the insured should ask the carrier and other related parties for the evidence of losses of or damage to the goods. If it is found to be their fault, claim should be made in written immediately.**

### **6) Take suitable measures**

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**The insured should take suitable measures to remedy the goods or put them out of danger.**

## Insurance claim

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### 7) Prepare claim document

When claiming compensation, the insured should offer the following documents: insurance policy or certificate, invoice, packing list, weight memo, survey report, and others if necessary.

### 8) Right of subrogation 代位追偿权

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After paying the claim to the insured, the insurer will take the place of the insured to all the rights of the goods, including the claims against the third party. The insured, after receiving the compensation, will sign a letter of subrogation to the insurer.



# **Section 7 Calculation of insurance amount and premium**

## **1. Basic Concepts**

### **1) Insurance Value (保险价值)**

**Insurance value is the value of subject matter insured. In international trade, insurance value is usually the invoice value based on CIF or CIP.**

### **2) Percentage of addition (投保加成率)**

**Percentage of addition is the increased (added) percentage on the basis of the CIF or CIP invoice value. The Percentage of addition would be used to compensate the loss of the buyer's profit from the transaction.**

**For example the invoice value based on CIF or CIP is USD10000 and add 10% on the basis of the CIF or CIP invoice value. The 10% is the percentage of addition.**

**There are two ways to stipulate the percentage of addition in international trade :**



# Section 7 Calculation of insurance amount and premium

## 2) Percentage of addition (投保加成率)

**(1) Stipulate(规定):** According to Incoterms 2010 and UCP600, if there is no percentage of addition shown in the contract or L/C, the percentage of addition is 10% on the basis of the CIF or CIP invoice value.

**(2) Agree(约定):** The percentage of addition can be agreed upon by the seller and the buyer and clearly stipulated in the contract and/or the L/C, for example, the percentage of addition is 8% or 15%, but usually not more than 30%. In international trade, the percentage of addition is usually 10% on the basis of the CIF or CIP invoice value



### **3) Insurance addition (投保加成)**

**Insurance addition, in international trade, refers to the invoice value based on CIF or CIP plus the percentage of addition. For example, the invoice value based on CIF or CIP is USD10000, it means the USD10000 is 100%, and the percentage of addition is 10%, so the insurance addition is  $100\%+10\%=110\%$**



#### **4) Insurance amount(Amount insured 保险金额)**

**In international trade, the insurance amount is the invoice value based on CIF or CIP plus the percentage of addition. It is the amount of money the insurer covers against the losses of the insured. Generally speaking, the insured amount is the maximized amount of the compensation payable to the insured.**

**Insured amount is the basis of for calculate the premium.**





## 5) Premium 保险费

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**The premium is the money paid by the insured to the insurer for the insurance service. It is always a percentage of the insured amount.**

### **6) Premium rate 保险费率**

**Premium rate is a percentage of the insured amount. With the differences in insurance coverage, commodities, modes of transportation and ports of destination, there would be different insurance percentages applied. For example, for a commodity, the premium rate: All Risks: 2.5% and War Risk: 0.2%**



## Section 8 Calculation of insurance amount and premium

### 2. Equations

#### 1) Equations for calculating unit price

$$\begin{aligned}\text{CIF (CIP) price} &= \text{CFR (CPT) price} + \text{Premium} \\ &= \text{FOB(FCA) price} + \text{freight} + \text{premium}\end{aligned}$$

$$\begin{aligned}\text{CFR (CPT) price} &= \text{FOB(FCA) price} + \text{freight} \\ &= \text{CIF (CIP) price} - \text{premium}\end{aligned}$$

$$\begin{aligned}\text{FOB(FCA) price} &= \text{CIF (CIP) price} - \text{freight} - \text{Premium} \\ &= \text{CFR (CPT) price} - \text{freight}\end{aligned}$$

## Calculation of insurance amount and premium

### 2)Equation 2:

$$\begin{aligned} \text{Premium} &= \text{CIF (CIP) price} \times (1 + \text{percentage of} \\ &\quad \text{addition}) \times \text{premium rate (percentage)} \\ &= \text{CIF (CIP) price} \times \text{insurance addition} \times \\ &\quad \text{premium rate (percentage)} \end{aligned}$$

## Calculation of insurance amount and premium

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### Importance

**CIF (CIP) price = FOB(FCA) price + freight + premium**

**CIF (CIP) price = (FOB (FCA) price + freight ) / [ 1 - Premium rate × ( 1 + percentage of addition ) ]**  
**= (FOB (FCA) price + freight ) / (1 - premium rate × insurance addition)**

## Calculation of insurance amount and premium

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### 3) Equation 3:

**Amount insured**

**= CIF (CIP) price × (1 + percentage of addition)**

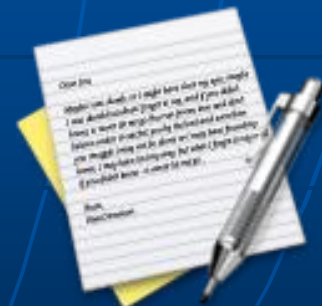
**Amount insured**

**= CIF (CIP) price × insurance addition**

## Calculation of insurance amount and premium

### Example: calculation

Original quotation made by exporter A for article X is USD 1000 per ton CFR London. Suppose the importer asks for CIF price, insurance to be made for 110% of the invoice value against All Risks (its premium rate is 1%). Please calculate the new CIF London price ,the premium and the amount insured.



## Calculation of insurance amount and premium

**Answer:**

$$\therefore \text{CIF price} = \text{CFR price} / [1 - \text{Premium rate} \times (1 + \text{insurance addition})]$$

$$= 1000 / [1 - (1\% \times 110\%)] = \text{USD}1011$$

$$\text{或} = \text{CFR price} / [1 - \text{Premium rate} \times (1 + \text{percentage of addition})]$$

$$= 1000 / [1 - 1\% \times (1 + 10\%)] = \text{USD}1011$$

**$\therefore$  The new CIF price is USD1011/T CIF London.**

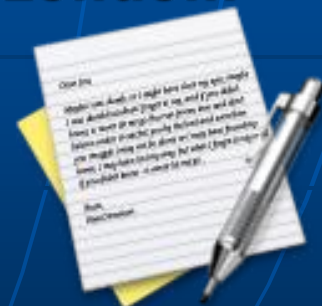
$$\therefore \text{CIF price} = \text{CFR price} + \text{premium}$$

$$\text{Premium} = \text{CIF price} - \text{CFR price}$$

$$= 1011 - 1000$$

$$= \text{USD}11$$

**$\therefore$  The premium is USD11.**



## Calculation of insurance amount and premium

**∴ Amount insured**

**= CIF (CIP) price × insurance addition**

**= 1011 × 110%**

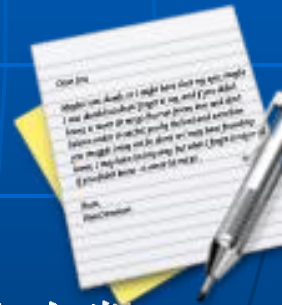
**= USD1112.10.**

**= USD1113.**

**∴ The mount insured is USD1,113.00.**

保险金额：根据**UCP600**的规定，货币单位以下的小数点不管多小，均按进一位的办法计算。

如**USD16,578.01**，按**USD16,579.00**计，并填制







# Section 8 Insurance clauses

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**Insurance clause is one of the most important parts in a sales contract or L/C, which will usually specify the following information:**

- 1. The party to effect the insurance;**
- 2. The amount insured;**
- 3. Type of insurance coverage(condition);**
- 4. Basis of insurance coverage**

**However, in practice, the content of the insurance clauses may vary if different trade terms are chosen.**

## Insurance clauses

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In CIF or CIP contract, the clauses should be made as clear as possible, such as

**“ Insurance to be covered by the seller for 110% of invoice value against All Risks and War Risk as per and subject to the relevant ocean marine cargo clauses of the People’s Insurance Company of China, dated 12/20,2000”.**

**Amount insured=Invoice value (based on CIF/CIP price)  
+Percentage of addition**

**Percentage of addition 投保加成率**

**Insurance addition 投保加成**



# Insurance clauses

In FOB, CFR or FCA, CPT contract, the insurance clauses may be simply stated as

**“Insurance to be covered by the buyer”.**

But if the buyer entrusts the seller to effect the insurance, then, there should be a more specified stipulation.

In FOB, CFR or FCA, CPT contract, if the buyer entrusts the seller to effect the insurance, then, there should be a more specified stipulation:

**“Insurance to be covered by the seller at the buyer’s expenses and risks for 110% of invoice value against All Risks and Strike Risk as per and subject to the relevant ocean marine cargo clauses of the People’s Insurance Company of China, dated 12/20,2000”.**





**Thank You !**