

Documentation Chapter 9



“All that Damn
Paperwork!”



Documentation

- Why worry about it?
 - major cost item
 - 7.5% of the cost of world trade = \$375 billion
 - time consuming
 - 5-10 separate documents per export
 - multiple parties involved and provide info
 - accuracy is critical
 - errors can delay freight movement
 - errors can result in fines, excess payments

Documentation

- Why worry about it?
 - can be used as a trade barrier
 - require licenses
 - specific timing requirements
 - some must be available at time of export
 - balance must be available at point of import
 - unique requirements
 - multiple languages
 - conflicting government regulations

Key Documents

- Commercial Invoice
 - divulges information relevant to transaction
 - terms of sale & payment, qty, prices, etc.
 - basis for duties and quota calculation
 - MOST important single document!!
- Export Declaration
 - divulges information relevant to U.S. exports
 - exporter, value of shipment, overseas consignee
 - U.S. Customs in midst of major crackdown
 - focus on errors, incomplete forms and underreporting

Key Documents

- Ocean
 - provides contract of carriage
 - specifies legal liabilities of carrier
 - terms vary from carrier to carrier
 - documentary evidence of title
 - identifies owner of the goods (consignee)
 - if no identification, b/l is negotiable
 - receipt for goods
 - issued by the ocean carrier

Key Documents

- Shipper's Letter of Instructions
 - provides forwarder with critical information regarding how shipment is to be handled
 - insurance needs, document prep & distribution, etc.
- Insurance Certificate
 - proof of shipment protection
 - describes type and extent of coverage
- See book/handout for other key documents

Documentation Relief

- Use 3rd Parties
 - provide experience and expertise
- Use Information Technology
 - electronically transmit documents and data
 - accurate, difficult to forge, save time and money
 - U.S. Customs has launched AES
 - Bolero electronic system
- Develop Standard Documents

Insurance Chapter 10

How to reduce your risk!!

Risks and Insurance

- What is the purpose of insurance?
- Why do we need insurance on international shipments?
- Is there a difference between domestic and int'l risks?



NEW CARISSA

Complete Hull Failure in a Stranded Bulk Carrier



Reasons for Insurance

- handling and stowage problems
 - breakage, contamination, crushing, leaking
- theft
 - pilferage and non-delivery
- water damage
 - sea water, condensation, fresh water
- fortuitous losses
 - sinking, stranding, fire, collision, heavy weather

The International Ride Can Be Rough!

Six degrees of freedom



Roll, pitch, yaw, surge, sway, heave

Recent Examples



Cargo Insurance

- Role of Insurance
 - reduce your risk by redistributing it
 - prevent financial loss
- Methods of Insurance
 - self insurance
 - purchase through third parties (frt. forwarders)
 - purchase from insurance companies
 - open policies are most common

Insurable Interest

- Not everyone can just buy insurance
- Must have an
- Part of the negotiated Incoterm or other agreement of purchaser
- Must have a _____ at risk in the transaction to qualify
- Note: Ownership alone may not qualify you to purchase insurance

General Average

- Concept that Pre-Dates Insurance
- If a portion of the cargo is lost/damaged the loss is shared by all the parties of the ocean voyage – i.e., all the shippers
- The total costs of the lost are split between all of the parties based on their level of financial involvement in the transaction

General Average Example

Ship Value \$1,070,000
Shipment #1 \$100,000 - \$10,000 discharged
Shipment #2 \$80,000
Towing Charge \$45,000
Ship Damage \$20,000



$$GA = \frac{(10,000 + 45,000 + 20,000)}{(1,070,000 + 100,000 + 80,000)} \times 100 = 6\%$$

SHARE OF LOSS:

Shipper #1 = \$100,000x.06=\$6,000 10k-6k=\$4,000 reimbursement
Shipper #2 = 4,800
Carrier = \$64,200

Types of Insurance and Terms

- Particular Average
 - Total loss resulting from perils of the sea
 - Affects Specific Interests
- General Average
 - Total loss resulting from perils of the sea
 - Interests of the voyage including the vessel
- Free of Particular Average (FPA)
 - Only covers specific losses named (fire, stranding, etc.)
 - Only covers if it is a FULL loss
- With Average (WA)
 - Will cover if there is a PARTIAL loss
- All Risk
 - Most comprehensive, but doesn't cover everything (war)
 - S.R.&C.C. add on type



Types of Insurance and Terms

- Open Policy
 - Open Ocean Cargo Policy
 - Covers all shipments for a fixed period of time
 - Shipper must identify each one
- Special Cargo Policy
 - Individual policy
 - Contract for each and every shipment



Cargo Insurance

- Who is Responsible for Insurance?
 - carriers are not extraordinary bailees
 - shipper or consignee must bear burden
 - terms of sale indicate ownership and responsibility
 - non-owner must often protect financial interests
- How Much is Needed?
 - based on product valuation
 - must also consider other costs

Who Can Help?!?

- Freight Forwarders (OTI)
- International Lawyers
 - Truth is very complicate and simple
 - Let the experts do their jobs!!



Cargo Insurance Summary

- Loss Prevention is Best Insurance
 - freight protection is shipper's responsibility
 - 80% of all cargo losses are preventable
 - work with reputable carriers and ports
 - plan for the worst conditions
 - proper packing
 - effective handling
 - coded markings
 - use waterproofing methods

Cargo Insurance

- Reasons for Insurance
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 - theft
 - pilferage and non-delivery
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 - fortuitous losses
 - sinking, stranding, fire, collision, heavy weather