Importers

Benefits to importers buying on cost and freight terms

EXPERTISE • SERVICE • SECURITY

Zurich is widely regarded as Australia's leading marine insurer. Our experience in imports and exports insurance means that we have identified the potential pitfalls or exposures that can be experienced by clients importing goods from overseas.

The challenges for an importer when buying goods on cost, insurance and freight terms

Arranging an import purchase can be difficult. With so much to consider, finding the right supplier, arranging payment etc., buying goods on a cost, insurance and freight (CIF) basis looks an attractive choice because an importer's only other responsibility may be arranging delivery and insurance from the vessel once the goods have arrived. However, although it appears to be a simple option, buying on CIF terms has some significant disadvantages for an importer.

With CIF sales:

- the seller controls the insurance arrangements and is only obliged to obtain minimal cover for the goods during the voyage
- an importer is exposed to the risk of cargo loss or damage from the time the goods are loaded on board the vessel until they reach their warehouse
- insurance arranged by the seller may cease at the delivery port, leaving the buyer exposed for the period the goods are at the delivery port until they reach an importer's warehouse
    - an importer can arrange insurance for this part of the journey , however, without a full survey of the goods at the port of destination, it is usually only possible to buy restricted cover for the overland transit
- buying CIF leaves the importer with less control, a greater risk exposure and, possibly, added expense.

To manage and reduce this risk, an importer must be in a position to control it.

Benefits of buying on cost and freight terms

The benefits of buying on cost and freight terms (C&F) are:

- by effecting their own marine insurance locally, the importer can arrange the policy on insurance conditions which exactly meet their requirements
- an importer can include cover for loss or damage caused by incidents such as theft or ingress of sea water into a container
  - under CIF purchases, the importer is bound by the terms of insurance arranged by the seller via a foreign company
  - the seller is only obliged to provide minimum coverage
- marine insurance rates are very competitive and it is highly likely an importer could obtain significant savings by purchasing their insurance locally
  - CIF obliges an importer to accept the premium the seller negotiated for the insurance. The cost of insurance may not be disclosed separately but absorbed into the total amount shown on the invoice. Insurance costs often include the price of both the seller's and the importer's insurance.
- it places an importer in a much better risk management position by allowing them to retain control of the cargo insurance arrangements and reduce costs
- an importer is able to deal with their own local insurer where claims can be presented quickly and easily and any difficulties resolved by face-to-face negotiation

– buying on CIF means that in the event of a claim the importer is dealing with a overseas insurer. Even the most straightforward claim can take weeks, as documents are sent overseas and the overseas insurer sends funds in the settlement of the claim. If the claim is more difficult or complex, the importer may find they are in a situation where they have no commercial leverage and the daunting task of legal action overseas.

- an importer also has the opportunity of selecting an insurer who offers top security and specialises in marine insurance.

Why choose Zurich for your insurance cover?

Given the complexity of marine insurance law, it is important for an importer to select an insurer with expertise, an outstanding reputation for service and superior claims handling.

Zurich is an acknowledged market leader in marine cargo insurance.

Let us help you manage your import risk. Contact your local Zurich Representative for more information.

ZU11044 - V2 03/13 - CGEL-007703-2013

Zurich Australian Insurance Limited
ABN 13 000 296 640, AFS Licence No. 232507.
Head office: 5 Blue Street
North Sydney NSW 2060.

Client enquiries: 132 687
www.zurich.com.au

ZURICH®