

Cargo Insurance under UCP 600: Types, Documents, Parties and Signing

Types	Documents	Parties and Signing
		The general rule is that the insurance document must appear to have been issued and signed by one of the following:
<p>Annual policies: It is a “frame agreement”, i.e. the annual policy is the insurance agreement and will stipulate the details of what is covered by the insurance (e.g. in terms of geography, value a single shipment, or commodity). The insured party does not declare every single shipment, but rather the turnover on an annual basis.</p>	<p>Insurance policy: When an insurance policy is required to be presented under a documentary credit, usually the reason is that one single shipment policy will cover one transaction which may consist of one or more shipments of the goods.</p>	<p>1. An insurance company A business that provides coverage, in the form of compensation resulting from loss, damages, injury, treatment or hardship in exchange for premium payments.</p>
<p>Single shipment policies: Usually a single shipment policy will cover one transaction which may consist of one or more shipments of the goods. This policy will normally include the whole of the insurance agreement, e.g. likely to reference the commodity, transport route, date of shipment, and sum insured.</p>	<p>Insurance certificate: When an insurance certificate is required to be presented under a documentary credit, usually the reason is either: the cargo is covered by an annual policy or the cargo is covered by an open policy.</p>	<p>2. An underwriter A person or entity who evaluates and analyses the risks involved in insuring individuals and assets. Insurance underwriters establish pricing for accepted insurable risks. The term underwriting means receiving remuneration for the willingness to pay a potential risk.</p>
<p>Open policies: It is a “frame agreement” and the open policy represents the insurance agreement, stipulating the details of what is covered by the insurance (e.g. in terms of geography, value of a single shipment, or commodity). Unlike the annual policy, every single shipment is declared to the insurance company, usually monthly or quarterly.</p>	<p>Declaration under an open cover: When a declaration under an open cover is required to be presented under a documentary credit (which in fact is rare), usually the reason is either: the cargo is covered by an annual policy, or the cargo is covered by an open policy.</p>	<p>3. An agent*/proxy** on behalf of a named insurance company/underwriter</p> <p>*Agent: representative of an insurance company or underwriter who negotiates and sells insurance contracts.</p> <p>**Proxy: A person who acts on behalf of an insurance company or underwriter.</p>

This chart is intended to offer a general overview. For further details, please consult the official UCP 600/ISBP publications and ICC Opinions. The content has been prepared with care and to the best of our knowledge; however, no liability is assumed for its timeliness, completeness, or accuracy.