



Insuring Your Supply Chain & Inventory: Benefits of Stock Throughput Coverage

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A Conversation With:



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Today's Topics

1. Understanding Supply Chain Risks & Insuring Inventory: Property, Cargo, Inland Marine or Stock Throughput?
2. Advantages of a Stock Throughput policy
3. Marine Insurance Market Conditions
4. Claims Best Practices



Overview of Supply Chain Flow

Origin

Factory



Trucker



Warehouse or Consolidator



Drayman



Customs Agents



Port Handling Agents



Transit



Stock throughputs insure goods throughout the insured's entire supply chain process



Insured's Warehouse



Trucker



Warehouse or Deconsolidator



Drayman



Customs Agents



Port Handling Agents

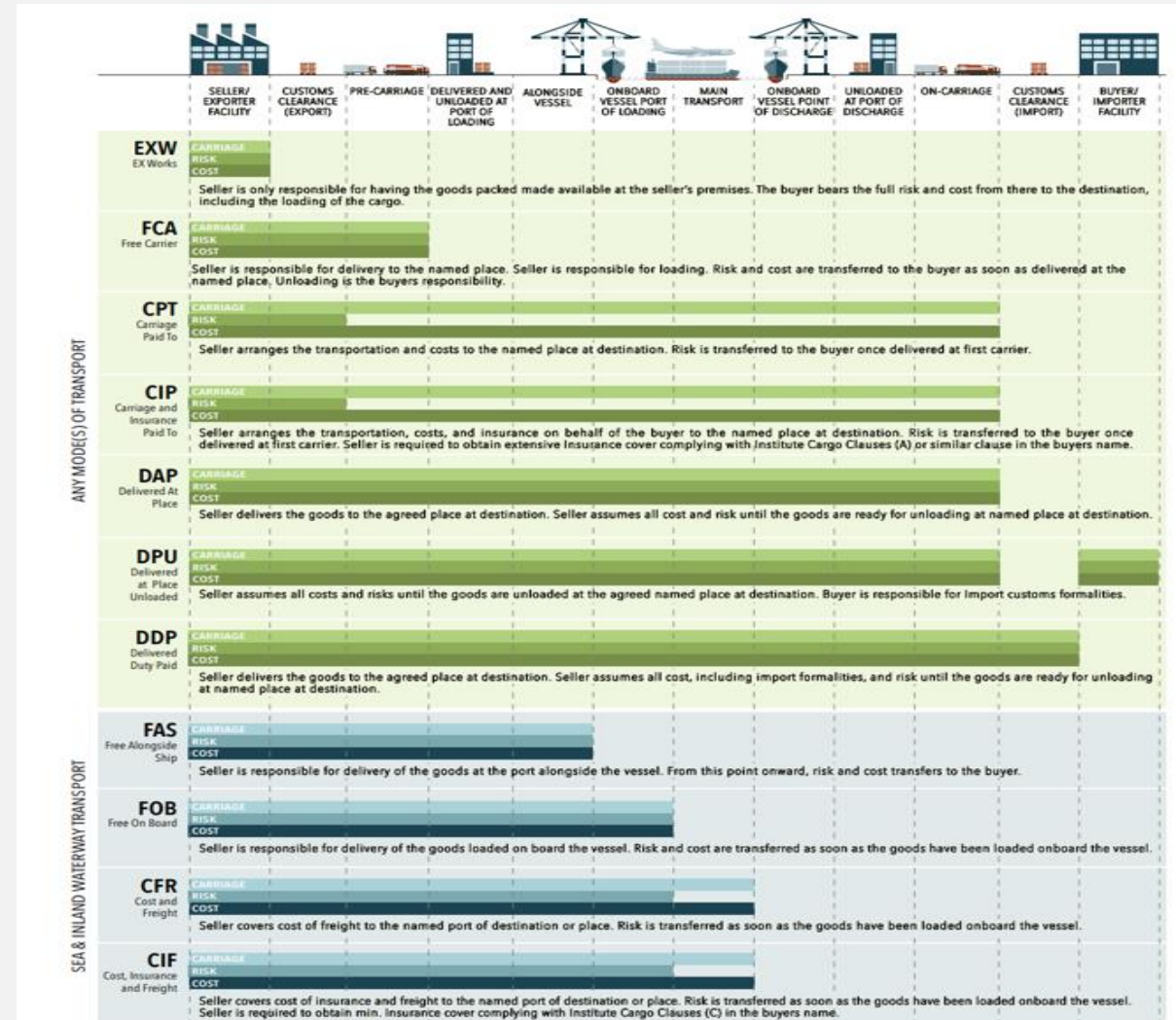
Destination



How Terms of Sale Impact Your Risk Profile

- There are a total of 11 Incoterms®
- Incoterms® stand for International Commercial Terms that were developed by the ICC, the International Chamber of Commerce.
- Incoterms® are internationally accepted guidelines used by importers and exporters worldwide. Incoterms® dictate 3 things between the buyer and seller:

1. Carriage
2. Risk
3. Cost



Freight Carrier's Legal Liability

- The amount of the carrier's liability is limited to a calculation based on the weight or shipping unit of the shipment, not the actual value of the goods.
- Freight carriers are not responsible for things like “Act of God” – adverse weather conditions, storms, typhoons, etc.

Mode	Liability Limitation
Ocean	\$500 per shipping unit
Air	22 SDR (~\$30) per kg
Truck (US)	\$0.50 per pound
Warehouse (US)	\$0.50 per pound; \$50 per lot max
Small Parcel Carrier	\$100 per parcel or invoice value, whichever is lower
Line Truck (Canada)	CAN \$2 per pound



Exposure Evaluation for Property in Transit

- Where does Company Name own the product or is contractually obligated to insure it?
 - Where does title transfer?
 - What is the shipment's term of sale or Incoterm?
 - What is the maximum value at risk at each location/stage of transit or production at any one time?
- What is the maximum transit exposure per conveyance?
 - What is the maximum inventory exposure in storage? (warehouse or 3PL)?
 - Diversify inventory amongst multiple location to reduce concentration of risk
 - Insurer capacity challenges
 - Business Continuity Best Practice



General Average

The Zim Charleston Fire



- General Average is a maritime law that everyone who ships via ocean vessel is subject to.
- General Average law requires all cargo owners on board to share in the losses as a result of this fire.
- Cargo owners are financially at risk even if they have no loss or damage to their goods on board.
- Cargo Insurance/Stock Throughput policies fully cover this exposure

Cargo & Stock Throughput Insurance Coverage

Coverage for physical loss or damage to goods in transit and/or while it's stored at a warehouse or stock location

Cargo Only

- Insures goods in transit (internationally & domestically)

Stock Throughputs

- Insures all goods in transit (internationally & domestically)

AND

- Stock/Inventory at Named or Unnamed Locations
 - International or domestic stock locations
 - Can include manufacturing and retail locations (to a limited amount)



Advantages of a Stock Throughput Policy

Removing stock values from the Property program

- Lower property premium; Easier property underwriting without stock exposure
- Stock rates are generally lower under cargo/STP program (Marine Marketplace)
- One insurer for the entire supply chain – STP covers all goods in transit and storage, Worldwide

STP Advantages vs Traditional Property Programs

- Broader appetite
- Lower deductibles
- Lower overall stock rates/premiums
- CAT coverage available with lower deductibles and premiums
- Customized valuations
 - Replacement Cost
 - CIF + 10%
 - Selling Price
- Customized endorsements
- Claim-free bonus or profit-sharing options available





Who Needs Cargo/ Stock Throughput Coverage?

- Importers/Exporters
- Manufacturers
- Distributors
- Wholesalers
- Retailers



Good Rule of Thumb:

If your business makes, sells, distributes a finished good or uses some kind of raw material in your business, then you generally have supply chain and shipping risks!

Global Insurance Market Pricing Conditions: Property & Marine

RATE CHANGES IN OTHER LINES

	2Q22	High
Broker E&O	3.1%	15.4%
Business Interruption	4.8%	28.8%
Construction	4.2%	38.7%
Cyber	26.8%	34.3%
D&O Liability	7.9%	32.4%
Employment Practices	5.3%	21.9%
Flood	3.4%	8.6%
Marine	3.3%	4.5%
Medical Malpractice	3.2%	32.5%
Surety Bonds	0.7%	11.2%
Terrorism	0.3%	10.4%

Source:
The Council of Insurance Agents & Brokers

BY-LINE SECOND QUARTER 2022 RATE CHANGES RANGED FROM -1.2% TO +11.3%

	COMM'L AUTO	WORKERS' COMP	COMM'L PROPERTY	GEN'L LIABILITY	UMBRELLA	AVERAGE
Second Quarter 2022	7.2%	-1.2%	8.3%	4.7%	11.3%	6.1%
First Quarter 2022	5.9%	-0.5%	8.6%	3.9%	10.5%	5.7%
Fourth Quarter 2021	8.0%	0.3%	10.5%	6.4%	15.0%	8.1%
Third Quarter 2021	7.4%	-0.3%	10.3%	6.3%	16.9%	8.1%
Second Quarter 2021	6.8%	0.3%	9.9%	6.0%	17.4%	8.1%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	-11.6%	-12.3%	-15.0%	-13.6%	-13.5%	-13.2%

Source:
The Council of Insurance Agents & Brokers



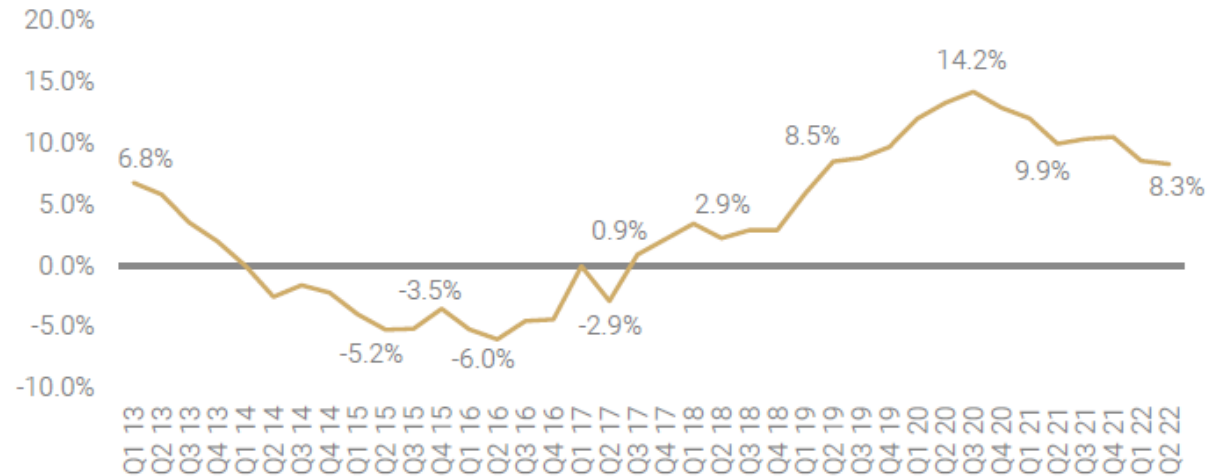
Global Insurance Market Pricing Conditions: Property & Marine

NOTABLE MARKET TRENDS

Inflation and nat cats affecting commercial property

As we move into the middle of 2022, it's clear that the U.S. is struggling with inflation. According to the Bureau of Labor Statistics, the Consumer Price Index (CPI), which tracks common consumer items like food, energy, and so on, [rose by 9.1%](#) over the past 12 months, the largest increase in inflation since the 12-month period ending November 1981. And consumers weren't the only one feeling the squeeze—the impact of inflation was also felt by the insurance industry, in particular when it came to the commercial property and commercial auto lines of business, according to respondents.

Premium Change for Commercial Property, Q1 2013 - Q2 2022



Claims Best Practices

1. Inspect your shipments and make proper exceptions on the shipping docs/delivery receipt
2. Do not dispose of any damaged product and packaging (survey may be required)
3. Prevent additional damage of product if possible



4. Take pictures of the damaged product and packaging
5. Notify your broker and insurance carrier immediately
6. File a claim with the freight carrier or 3PL (if applicable)

7. File a formal claim with your insurance carrier. Include the following: full description of claim, shipping documents (ie: bill of lading, delivery order, etc.), commercial invoice/sales invoice, packing list, Customs entry report (if import duty is applicable), photos (if applicable)
8. Additional best practices to prevent claims in the first place: Packaging, labeling, loading/unloading surveys, security checks of container seal, driver info/shipping docs, vetting of freight carriers/3PLs

Thank You.

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