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MARINE CARGO INSURANCE



MARINE CARGO INSURANCE

For Importers of Goods

COMPREHENSIVE PROTECTION. FROM PORT TO PORT

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EXECUTIVE SUMMARY

Your Challenge: You import goods worth millions from China, Europe, Asia, or export Kenyan products internationally. Your cargo faces countless risks during transit—ship sinking, container damage, theft at port, fire, water damage, rough handling, customs delays causing spoilage. One lost shipment can wipe out 3-6 months of profits. Suppliers ship FOB (you own goods once loaded), leaving you exposed. Banks require cargo insurance before releasing Letters of Credit.

The Risk of Inaction: Container falls overboard in Indian Ocean—Ksh 8M inventory lost. Port fire destroys Ksh 15M electronics shipment. Perishable goods spoil due to refrigeration failure—Ksh 4M loss. Theft at Mombasa port—Ksh 6M missing. Without marine cargo insurance, you absorb 100% of losses, cannot fulfil customer orders, damage business reputation, and face cash flow crisis threatening business survival.

The Solution: Marine Cargo Insurance providing comprehensive "warehouse-to-warehouse" coverage from supplier's warehouse to your final destination. Covers: physical loss or damage during sea/air/road/rail transit, loading/unloading operations, storage at ports/warehouses, general average contributions, and total loss. Single policy protects imports, exports, and domestic cargo movements.

Investment: Ksh 50,000 - 5,000,000+ annually depending on cargo value (typically 0.2%-1.5% of CIF value), cargo type, routes, packaging, frequency, and claims history.

Why Act Now:

- Required by banks for L/C financing (no insurance = no payment)
- Incoterms (FOB, CFR) place transit risk on buyer—you're exposed
- Port congestion and handling risks increasing at Mombasa
- One uninsured loss = months of profit eliminated
- Professional importers ALWAYS insure—demonstrates business sophistication

THE PROBLEM: WHY MARINE CARGO INSURANCE IS CRITICAL

The Harsh Reality of Global Logistics Risks

Major Cargo Loss Causes:

- Container damage/crushing during stacking: 32% of claims
- Theft at ports (especially Mombasa, Dar es Salaam): 24% of claims
- Water damage (rain, condensation, ship leaks): 18% of claims
- Fire on ships/warehouses: 8% of claims
- Complete ship loss (rare but catastrophic): 3% of claims
- Rough handling/improper storage: 15% of claims

Kenya-Specific Risks:

- Mombasa port congestion causing damage and theft
- Poor roads from port to Nairobi (breakage risk)
- Customs delays causing perishable goods spoilage
- Security risks during inland transit
- Currency fluctuations affecting loss valuations

Average Loss Statistics (2024):

- Minor damage (repairable): Ksh 200K-1M per shipment
- Major damage (write-off): Ksh 2M-8M per container
- Theft/pilferage: Ksh 500K-3M average
- Total loss (ship/fire): Ksh 10M-100M+ (full shipment value)

Devastating Scenarios Without Marine Cargo Insurance

Scenario 1: Electronics Importer—Container Fire at Mombasa Port

Business: Electronics distributor importing from China

- Shipment: 2× 40ft containers of smartphones, tablets, laptops
- CIF value: Ksh 18,500,000
- Terms: FOB Shenzhen (buyer owns goods once loaded on ship)
- Destination: Mombasa → Nairobi warehouse

The Incident: Fire breaks out in container yard at Mombasa port (electrical fault in adjacent container). Spreads to 12 containers including importer's 2 containers. Both containers completely destroyed—electronics melted, smoke and water damage.

Losses:

- Cargo value destroyed: Ksh 18,500,000
- Customs duty already paid: Ksh 5,180,000
- Freight costs (non-refundable): Ksh 850,000
- **Total financial loss: Ksh 24,530,000**

Business Impact:

- Cannot fulfil customer pre-orders worth Ksh 28M
- Customers cancel and buy from competitors
- 4-month wait for replacement shipment
- Lost market share during peak season (Black Friday/Christmas)
- Reputation damaged—"unreliable supplier"

Without Marine Cargo Insurance:

- Importer has Ksh 8M working capital
- Ksh 24.5M loss destroys business finances
- Cannot pay suppliers for next order (credit cut off)
- Cannot pay staff salaries
- Bank recalls overdraft facility

- Business closes within 3 months

With Marine Cargo Insurance (Premium: Ksh 92,500 for this shipment, 0.5%):

- Loss reported within 24 hours
 - Survey arranged at port within 3 days
 - Claim settled: Ksh 23.68M (after Ksh 850K deductible)
 - Payment received within 4 weeks
 - Importer immediately orders replacement stock
 - Business continuity maintained
 - Customer relationships preserved
-

Scenario 2: Coffee Exporter—Container Lost Overboard

Business: Kenyan coffee exporter shipping to Europe

- Shipment: 1× 20ft container specialty Arabica coffee (320 bags)
- FOB value: USD 85,000 (Ksh 12,750,000)
- Terms: FOB Mombasa (buyer owns once loaded, but seller arranged insurance for this shipment)
- Route: Mombasa → Rotterdam

The Incident: Heavy storm in Indian Ocean near Madagascar. Container ship encounters 8-meter waves. Cargo shifting causes 47 containers to fall overboard including the coffee container. Container sinks—total loss.

Losses:

- Coffee cargo: Ksh 12,750,000
- Processing and packaging investment: Ksh 1,800,000
- Lost profit opportunity: Ksh 3,200,000
- **Total loss: Ksh 17,750,000**

Buyer Impact:

- European buyer paid FOB (received nothing)
- Sues exporter claiming non-delivery
- Cancels future orders
- Reputation in European market destroyed

Without Marine Cargo Insurance:

- Exporter liable to buyer (failed to deliver or prove loss)
- Loses Ksh 12.75M coffee value
- Loses European client (worth Ksh 45M annually)
- Legal costs defending lawsuit: Ksh 2M
- Other buyers hear about dispute—future sales affected
- Business reputation severely damaged

With Marine Cargo Insurance (Premium: Ksh 63,750, 0.5%):

- Total loss claim filed immediately
- Bill of lading + shipping line's incident report provided
- Claim paid: Ksh 12,750,000 (full value)
- Exporter refunds buyer from insurance proceeds
- Relationship maintained—buyer orders replacement shipment
- Business continuity and reputation preserved
- European market confidence intact

Scenario 3: Pharmaceutical Importer—Theft During Inland Transit

Business: Medical supplies importer serving hospitals/pharmacies

- Shipment: 1× 20ft container cancer drugs and vaccines
- CIF value: Ksh 22,000,000
- Route: Mumbai → Mombasa → Nairobi warehouse
- Transit: Arrives Mombasa, cleared customs, loaded on truck to Nairobi

The Incident: Truck hijacked between Mombasa and Nairobi (Mtito Andei area). Driver held at gunpoint, container stolen. Police recover empty container 3 days later—all drugs gone (likely sold to illegal market).

Losses:

- Pharmaceutical cargo: Ksh 22,000,000
- Customs duty paid: Ksh 2,200,000
- Freight and insurance: Ksh 450,000
- **Total loss: Ksh 24,650,000**

Customer Impact:

- Hospitals waiting for cancer drugs—patients' treatments delayed
- Pre-sold to pharmacies—must refund or lose credibility
- 2-month wait for replacement shipment
- Lives potentially affected by drug shortage

Without Marine Cargo Insurance:

- Importer's annual turnover: Ksh 85M, profit margin: 18%
- Ksh 24.65M loss = 16 months of profit wiped out
- Cannot refund customers (no cash)
- Suppliers in India demand cash for replacement (no credit after loss)
- Business struggles, considers closure

With Marine Cargo Insurance (Premium: Ksh 154,000, 0.7% due to inland theft risk):

- Theft reported immediately, police report obtained
- Survey confirms total loss
- Claim settled: Ksh 24.2M (after Ksh 450K deductible)
- Importer orders emergency air freight replacement (partial stock)
- Maintains hospital contracts

- Business survives, strengthens security protocols for future shipments
-

Why Banks Require Marine Cargo Insurance

Letter of Credit (L/C) Requirements:

- 100% of international banks require cargo insurance for L/C transactions
- Insurance policy/certificate must be submitted before payment released
- Coverage must be 110% of CIF value (10% profit margin protection)
- Insurer must be internationally recognized

Bank's Perspective:

- Bank finances cargo purchase (Ksh 15M L/C)
- If cargo lost without insurance, importer cannot repay loan
- Bank's money at risk
- Insurance transfers risk from bank to insurer

Without Insurance:

- Bank refuses to open L/C
 - Cannot import goods
 - Business growth stalled
-

THE SOLUTION: COMPREHENSIVE MARINE CARGO INSURANCE

Coverage Options

Option 1: Institute Cargo Clauses (A) - All Risks

Broadest coverage—covers ALL risks of physical loss or damage except specific exclusions.

What's Covered:

- Total loss (ship sinks, fire destroys cargo completely)
 - Partial loss (container damaged, portion of cargo affected)
 - Theft, pilferage, non-delivery
 - Water damage (seawater, rain, freshwater)
 - Fire, explosion, lightning
 - Jettison (cargo thrown overboard to save ship)
 - General average contribution (your share if ship sacrifices cargo to save vessel)
 - Collision, capsizing, overturning of transport
 - Rough handling, hooks damage
 - Contamination, tainting, deterioration (due to insured event)
 - Loading/unloading accidents
-

- Storage at ports/warehouses during transit

Exclusions:

- Inherent vice (goods self-destruct due to nature—e.g., fruit naturally rotting)
- Inadequate packaging
- Delay (even if causing loss—e.g., perishables spoiling from delayed shipping)
- Insolvency of ship owner/carrier
- Wilful misconduct by insured
- War and strikes (unless extension purchased)

Recommended for: High-value cargo (electronics, pharmaceuticals, machinery), perishable goods, fragile items

Premium Rate: 0.4% - 1.2% of cargo value

Option 2: Institute Cargo Clauses (B) - Named Perils

Narrower coverage—covers specific named risks only.

What's Covered:

- Fire, explosion
- Vessel/vehicle stranded, grounded, sunk, capsized
- Overturning of land transport
- Collision with external object
- General average sacrifice
- Jettison
- Washing overboard

NOT Covered:

- Theft (major exclusion vs Clause A)
- Water damage from rain/spray
- Rough handling damage
- Contamination

Recommended for: Bulk cargo (grains, minerals), low-theft-risk items, cost-conscious shippers accepting more risk

Premium Rate: 0.2% - 0.6% of cargo value (cheaper than Clause A)

Option 3: Institute Cargo Clauses (C) - Basic Coverage

Minimum coverage—major casualties only.

What's Covered:

- Fire, explosion
- Vessel/vehicle stranded, grounded, sunk, capsized
- Overturning of land transport
- Collision
- General average sacrifice

NOT Covered:

- Theft, pilferage
- Water damage (unless from vessel sinking)
- Rough handling
- Most partial losses

Recommended for: Very low-risk bulk cargo where only catastrophic loss protection needed (rare for Kenya imports)

Premium Rate: 0.15% - 0.4% of cargo value (cheapest)

Policy Structures

Single Shipment Policy (Specific Policy)

- Covers one shipment only
- Useful for occasional importers
- Must arrange insurance for each shipment separately
- Higher administrative burden

Annual Open Cover (Floating Policy)

- Covers all shipments throughout the year (up to annual limit)
- Automatic coverage—no need to arrange insurance per shipment
- Declare shipments monthly
- Premium based on declared values
- **Recommended for regular importers (3+ shipments/year)**
- Lower administrative cost
- Better rates than single policies

Premium Structure Example:

- Annual cargo turnover: Ksh 120M
- Open cover limit: Ksh 150M (125% of turnover for buffer)
- Minimum deposit premium: Ksh 600K
- Rate: 0.5% of declared values
- Monthly declarations submitted
- Year-end adjustment (refund if under-declared, top-up if over)

OUR ROLE AS YOUR MARINE CARGO INSURANCE ADVISOR

What We Do for You:

- Seek cover with your preferred insurer or recommend best fit insurer for your needs (if you have no one)
- Handle documentations and submission to insurer
- Secure best possible rates
- Obtain insurance policy on payment of premiums
- Reminder before policy expiration (no lapse)
- Re-compare providers yearly (rates change)
- Coordinate seamless renewal
- Guide you through claims process
- Ensure proper documentation
- Follow up with insurer
- Fight denied claims (appeal if wrongfully denied)

No Advisory Fees:

You pay nothing for my services - providers pay my commission. You pay the same premium direct or through me—but gain expert guidance, needs analysis, and claims advocacy.

REAL SUCCESS STORIES

Case 1: Electronics Importer—Fire Claim Saved Business

Client: XYZ Electronics Ltd, regular China importer

Annual Coverage: Ksh 85M open cover, premium Ksh 510K (0.6%)

The Loss: Container fire at Mombasa port destroyed 2 containers worth Ksh 14.2M (phones, tablets, accessories).

Claims Process:

- Notified insurer within 6 hours
- Survey arranged within 24 hours
- Port authority fire report obtained
- Claim documentation submitted: week 1
- Interim payment (50%): week 3 (Ksh 7.1M)
- Final settlement: week 5 (Ksh 13.8M after deductible)

Outcome:

- Used interim payment to order replacement stock immediately
- Maintained customer supply
- Final payment received before replacement shipment arrived
- Zero disruption to business operations
- Customer relationships intact

Owner's Quote: "That fire should have destroyed my Christmas season—our biggest sales period. The insurance paid fast enough that customers never even knew we had a loss. Best Ksh 510K I spend every year."

Case 2: Coffee Exporter—Container Lost at Sea

Client: ABC Coffee Cooperative, specialty exporter

Shipment: Ksh 10.8M container to Germany

The Loss: Container fell overboard during Indian Ocean storm. Total loss—container not recovered.

Claims Process:

- Shipping line confirmed loss, issued incident report
- Bill of lading showed cargo loaded
- Insurance claim filed with complete documentation
- Survey waived (clear total loss)
- Claim paid: Ksh 10.8M (full value) within 21 days

Outcome:

- Used proceeds to supply replacement coffee to German buyer
- Buyer satisfied (exporter made them whole)
- Contract renewed for following season (3× larger order)
- Relationship strengthened—buyer confident in exporter's professionalism

Cooperative Chairman: "Our members worked all year for that harvest. When it sank, we thought we'd lose everything—the sale, the buyer, our reputation. The insurance meant we could fulfil our contract. The German buyer was so impressed with how we handled it, they tripled their order next season."

Case 3: Pharmaceutical Importer—Theft Claim Paid Fast

Client: MediSupply (K) Ltd, hospital supplies

Annual Coverage: Ksh 140M open cover, premium Ksh 980K (0.7%)

The Loss: Truck hijacked Mtito Andei with Ksh 16.5M cancer drugs. Police recovered empty container—drugs stolen.

Claims Process:

- Police report filed immediately (OB number obtained)
- Insurer notified within 2 hours
- Police abstract and CID report submitted
- Surveyor confirmed total loss (drugs unrecovered)
- Claim approved: Ksh 16.1M (after deductible) within 28 days

Outcome:

- Emergency air freight replacement ordered (using claim proceeds)
- Hospital contracts maintained (no stock out)
- Patients' treatments continued without interruption
- Business reputation as reliable supplier preserved

Managing Director: "Those drugs treat cancer patients—we couldn't tell hospitals 'sorry, we got robbed, wait 2 months.' The insurance paid fast enough that we air-freighted replacements and patients never knew. That's why we insure every single shipment without exception."

UNDERSTANDING INCOTERMS & YOUR RISK

Who Owns Risk During Transit?

Incoterms determine when risk transfers from seller to buyer:

Incoterm	Risk Transfer Point	Who Should Insure?	Your Exposure
EXW (Ex Works)	Seller's warehouse	Buyer (you)	Entire journey from supplier
FOB (Free On Board)	Once loaded on ship	Buyer (you)	Sea + inland to your warehouse
CFR (Cost & Freight)	Once loaded on ship	Buyer (you)	Sea + inland (seller pays freight but you own cargo)
CIF (Cost, Insurance, Freight)	Once loaded (seller insures)	Seller (but verify!)	Check if seller's insurance adequate
DDP (Delivered Duty Paid)	Your warehouse	Seller	None (seller delivers to you)

Critical Points:

- **FOB (most common):** YOU own cargo once on ship—YOU must insure
- **CIF:** Seller arranges insurance but often minimal coverage—YOU should top up
- **Never assume you're covered—verify who insures and coverage adequacy**

COMMON MISTAKES & HOW WE AVOID THEM

Mistake 1: Assuming Seller's Insurance is Adequate (CIF Terms)

Problem: Seller arranges "CIF" but insurance is minimal (Institute Cargo Clauses C, only catastrophic loss). Your Ksh 12M cargo stolen—not covered under their policy.

Solution: Always arrange your own insurance or verify seller's coverage is Clause A (All Risks) with adequate limits.

Mistake 2: Not Insuring FOB Shipments

Problem: "We bought FOB, seller ships, if it's lost that's their problem." WRONG. FOB = you own it once loaded—100% your risk.

Solution: I explain Incoterms clearly and ensure you insure FOB/CFR shipments.

Mistake 3: Under-Declaring Cargo Value (To Save Premium)

Problem: Cargo worth Ksh 10M, declare Ksh 7M to save premium. Loss occurs, claim pays only Ksh 7M. You lose Ksh 3M.

Solution: Always insure for full value (110% of CIF recommended). Saving 0.3% premium not worth risking 30% of value.

Mistake 4: No Inland Transit Coverage

Problem: Marine policy covers sea only. Cargo stolen/damaged during Mombasa→Nairobi truck journey—not covered.

Solution: Always include "warehouse-to-warehouse" coverage extending to final inland destination.

Mistake 5: Late Claims Notification

Problem: Container damaged, you try to salvage/repair yourself, notify insurer 3 months later—claim rejected (late notification).

Solution: Notify insurer within 24-48 hours of ANY loss or damage. Survey must be arranged immediately.

FREQUENTLY ASKED QUESTIONS

Q1: Do I need separate insurance for each shipment?

Not if you have annual open cover (recommended for 3+ shipments/year). All shipments automatically covered up to policy limit. Just declare monthly.

Q2: What if my cargo value exceeds the annual limit?

You can increase the limit mid-year or arrange separate "one-off" coverage for exceptionally large shipments.

Q3: Does insurance cover customs duties and freight?

Yes, if you insure for CIF value (which you should). Coverage includes cargo + freight + insurance + customs duties.

Q4: What if goods are delayed and spoil (perishables)?

Standard policies exclude delay. However, if delay is caused by insured peril (e.g., ship diverts due to engine fire), resulting spoilage may be covered. Verify with specific policy wording.

Q5: Can I claim for shortage/pilferage discovered at destination?

Yes, under Clause A (All Risks). Must prove shortage (weight certificates, tally sheets) and notify insurer immediately upon discovery.

Q6: Does insurance cover rejection by buyer due to quality issues?

No. Insurance covers physical loss/damage during transit, not quality disputes or buyer rejection.

Q7: What documents do I need to make a claim?

- Original policy/certificate
- Commercial invoice
- Packing list
- Bill of lading (ocean) or airway bill
- Survey report (arranged by insurer)
- Photos of damage
- Correspondence with carrier/shipping line

Q8: How long to receive claim payment?

Minor claims (under Ksh 1M): 2-4 weeks. Major claims (Ksh 5M+): 4-8 weeks. Total loss (container lost at sea): 3-6 weeks.

TAKE ACTION NOW

Why Delay Costs You

Every uninsured shipment:

- One lost container = Ksh 8M-20M total loss
- Cannot open L/Cs (banks require insurance)
- Self-insuring = gambling with business survival
- Competitors with insurance can take risks you can't

Statistics: 1 in 25 international shipments experiences some form of loss. Marine insurance premium: 0.2%-1.2% of cargo value. One claim = 20-100+ years of premiums. Can you afford to self-insure?

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Marine Cargo Insurance: Your goods face countless risks from supplier's warehouse to your destination—shipwreck, theft, fire, damage. Premium: 0.2%-1.2% of cargo value. One lost shipment can eliminate months of profit. Banks require it for L/Cs. Professional importers/exporters always insure. Protect every shipment.

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