

## Cargo War Risks

The recent tensions on the Korean Peninsula and relatively aggressive stance shown by North Korea highlight the importance of the rarely triggered cover which should form part of all cargo shipments by sea and air – War Risks.

### War Cover

Cargo War cover only applies to waterborne or airborne shipments – there is no cover on land or for inland transit risks. The standard Institute War Clauses Cover includes... *loss of or damage to the subject matter insured caused by:*

- *War civil war revolution rebellion insurrection, or civil strife arising therefrom, or any hostile act by or against a belligerent power*
- *Capture seizure arrest restraint or detention arising from the risks above*
- *Derelict mines torpedoes bombs or other weapons of war*

### Exclusions

Many of the exclusions mirror those of the Institute Cargo Clauses however two of them rate a special mention:

- *loss of or frustration of the voyage or adventure*
- *hostile use of any weapon or device employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter*

### Cost and application

Historically, most marine insurers charged a separate war risk premium however, in more recent times the relative peace in which we live has seen most local insurers adopt cargo pricing inclusive of war risks unless the voyage ventures in to an area of heightened tension or a war zone, when additional premium can apply.

Previously, a London based War Risk rating Committee issued recommended war zone additional premiums. Intervention by European anti-trust legislation stopped this service and individual insurers now assess and issue pricing.

The cost of War Risk cover can increase significantly in line with exposure to a war zone.



### Variation to cost

Because war is entirely unpredictable and can have such a devastating impact well beyond the financial means of individual insurance companies, most Cargo Policies will include a provision allowing insurers to vary the price of war cover following a period of notice – usually 7 days.

This allows insurers the ability to assess exposures associated with any developing conflict and vary the cost of any war coverage provided. Any variation to the cost will apply to voyages or flights not yet commenced.

Exposures will continue to be assessed throughout the period of conflict and war risk pricing will fluctuate, accordingly.

### Cancellation

Most War policies will include a War Cancellation provision to allow insurers the ability to cancel the war cover after a set period of notice.

This provision is likely to be activated by most insurers where a significant regional or world conflict erupts thus making the offering of war risk cover entirely uneconomic. In past conflicts of this size, the provision of War Risk cover has largely been taken up by Government.

**To find out more, contact the Vero Marine Team**