

SUMMARY OF THE ACTIVITIES OF MARINE SUB COMMITTEE



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Mr. Usman Arif
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Member



Mr. Fawwad
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Mr. Kamran Arif
Member



Mr. Rizwan Yousaf
Member

Summarized below are the major activities undertaken by the Marine Committee during the year.

1. Statistics

The following statistics were collected and compiled for members review

- **Details of Inland Transit Losses**

The Committee continued collection of inland transit losses data. The data included comparison for the past five years highlighting top commodities, concerned cities, transporters engaged and incident time. The comparison was circulated to members and uploaded on IAP website.

- **Summary of Marine, Aviation and Transport Business**

Data collected from members for the year 2024 was reviewed by the Committee and circulated to member companies and uploaded on IAP website. Since 2019 the data also carries Takaful / Window Takaful Operations information separately in addition to the conventional business data collected from members.

2. Pakistan Single Window (PSW)

A MoU has been finalized to be signed between Pakistan Single Window and IAP on the sidelines of the SECP Conference from 11-13th February 2025.

Marine Subcommittee continued its discussion with

PSW for inclusion of insurance module within the PSW system, insurance feedback was shared with PSW and the system is expected to be operational soon.

The following process flow and need for inclusion has been communicated to PSW

Clause 13 of chapter 15 of SBP's Foreign Exchange Manual, states:

Marine Policies - Import

Imports into Pakistan are required compulsorily to be insured in Pakistan with companies operating in Pakistan'

This makes it mandatory for all importers to get their cargo insured from insurance companies operating in Pakistan.

At the time of initiating the import process such as establishing the Letter of credit or customer entering into a bank contract, essential information is not available such as:-

- The final price and/or quantity of the product
- Seaport/airport of loading / discharge
- The name & age of the vessel
- Sailing date of shipment and/or risk attachment date of marine policy

For imports, insurance companies thus provide insurance in the form of a cover note OR open policy.

Types of Marine Cargo Covers for imports

- Cover note
- Open policy

Cover note

These covers are meant for a single transaction i.e. a single letter of credit or bank contract. Premium is not charged to the client (as a ledger entry) at the time of issuance of the cover note as the above listed

information is not available but premium calculation is usually entered into the system of insurance company. Once the actual shipment takes place and all the necessary information is available, the premium is calculated (as per agreed rate & terms on cover note) and billed to the insured. Once the premium is paid, the cover note is converted into the policy simultaneously. There can be more than one shipment on a single covernote. Validity of the covernote can be extended by way of and Addendum/Endorsement. The sailing date must fall within the period of the covernote. The declaration of each shipment shall be mandatory at the time of shipment.

- Cover Note  Policy

The cover note is issued to give the comfort to the bank and the importer that their upcoming shipment will be covered as per the terms and conditions specified in the document

The information that is needed to issue the cover note is as follows :-

- Name of the insured
- Name(s) of the bank with which the transaction is being processed (if LC is involved)
- Details of the product to be imported
- Packing details (if available)
- Value (copy of proforma invoice if available)
- Mode of conveyance (by sea, by air, or by road)
- Voyage (usually a single place of import but it can be like Europe till place of final delivery)
- Incoterms
- Expected date of sailing
- Cover required (i.e ICC A or ICC B etc)

Variations from the above-mentioned standard SOP:

- At times clients do pay premium calculated on cover note before shipment date and simply takes policy. Any change in actual shipment in

terms of quantity / value can be endorsed later by the insurance company.

- Insurance companies at times inform clients that shipment advice has been received on cover note therefore client should pay premium and get the cover note converted into policy.

Open Policy

This is a full-year policy which can be used for multiple transactions (i.e multiple LCs or banks contract and alike). It can cover all shipments made within its period of cover. There is a maximum limit of shipment which warrants that any shipment should not exceed that specified limit (subject to change through endorsement). The premium is not charged at the time of open policy issuance but the premium is calculated and billed when the actual shipment takes place and all the necessary information is available to calculate the premium. The insurance certificate against the open policy is also issued at that time. This runs by the date of shipment i.e the sailing date must fall within the period of the open policy. The declaration of each shipment shall be mandatory at the time of shipment.

- Open Policy  Certificate of Insurance

The open policy is issued to give comfort to the bank and the importer that all their shipments made during the year will be covered as per the terms and conditions specified in the document.

The information that is needed to issue the open policy is as follows:-

- Name of the insured
- Name(s) of the bank with which the transaction is being processed (if LC is involved)
- Names of all the products that will be imported in the whole year
- Expected Annual turnover of all imports to be

made against this open cover

- Packing details (if available)
- Maximum value of the shipment on anyone conveyance/location
- Mode of conveyance (by sea, by air or by road or all three)
- Voyages (it could be from more than one country)
- Incoterms
- Cover required (i.e ICC A or ICC B etc)

Variations from the above-mentioned standard SOP:

- Insurance companies at times inform clients that shipment advice has been received on open policy therefore client should pay premium and get the certificate of insurance against open policy.
- In some cases, insureds' do pay premium calculated on estimated value before the shipment date and simply takes certificates. Change (if any) in the actual shipment in terms of quantity / value can be endorsed later.

Types of Marine Cargo Covers for exports

Policy

The policy is meant for a single transaction. Premium is charged to the client at the time of issuance of the policy. There is no covernote or open policy in case of exports

The information that is needed to issue the policy is as follows :-

- Name of the insured
- Name(s) of the bank with which the transaction is being processed (if LC is involved)
- Details of the product to be exported
- Packing details
- Value (copy of commercial invoice)
- Mode of conveyance (by sea, by air, or by road)
- Voyage (place of start of voyage till place of final delivery)

- Incoterms
- Sailing date
- Cover required (i.e ICC A or ICC B etc)

Comparison			
Sr. No.	Items	Covernote	Open Policy
1	Validity	One year	One year
2	How many LC's can be established	Usually One	Various
3	How many shipments can be made	One or more being partial shipment	Various
4	Can be issued in the name of how many banks ?	Usually One	Can be for one bank or for Various
5	Changes via	Addendum/Endorsement	Endorsement
6	Shipment Declaration	To be made to insurer at the time of shipment	To be made to insurer at the time of shipment
7	Premium Payment	Upon shipment or withing 30 days of the attachmen of the risk. In few cases premium is received prior to attachment of risk and adjustment (if any) will be made through addendum/endorsement	Upon shipment or withing 30 days of the attachmen of the risk. In few cases premium is received prior to attachment of risk and adjustment (if any) will be made through endorsement
8	Type of document issued when shipment is declared	Policy	Certificate

3. Other Matters

- I. Increased reports of Inland transit losses: Marine Committee noted increased instances of transit losses for cotton bales, oil, ghee, tea and other high value items. Committee reviewed the 2014 IAP advisory issued for transit losses and recirculated it for members information.
- II. Impact of Road Blocks in Sindh on Cargo & Marine Covers: The Committee was requested to share updates on how the industry has managed to cover cargo during protests and road closures in Sindh. It was noted that during road closures the customers who moved their cargo to warehouses were advised to obtain additional fire covers (as marine policy does not insure fire losses during warehouse storage).

4. Risk Evaluation

The Committee did not conduct any study visits this year.

5. Circulars

Following Circulars were issued by the Committee during the year.

- III. Statistics of Transit Losses for the year 2024