

Weekly Publication of



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Association
of India

COTTON STATISTICS & NEWS

Edited & Published by Amar Singh

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Marine Insurance - 3

(Shri Rajendra Ganatra, M.A., M.Com., LL.M., F.I.I.I., D.M.M.T is a leading Insurance Consultant and trainer. He has a vast experience of over 35 years in General Insurance, 20 years as faculty on Marine Insurance at Banks, Financial Institutions, Insurance Companies and Colleges.

The views expressed in this column are his own and not that of Cotton Association of India).

Arranging for insurance

In the first article on Marine Insurance, we saw that broadly there are two methods of arranging for insurance. Specific Policy method and Open Policy/Open Cover method. In this article we will see in detail these methods along with documentation for insurance.

Proposal: Proposal is an application for insurance and generally it is moved from the client who wants to take insurance. Insurance companies have their prescribed proposal forms, which are to be filled in for the purpose. However in India, for marine cargo insurance though all companies have their prescribed forms as per Insurance Regulatory & Development Authority's regulations, it is not compulsory to fill up any proposal form for marine cargo insurance. But in practice the insurance companies want certain details to assess the risk involved in transit insurance. They want the details about the client, cargo, mode of conveyance, transporter, packing, transit, cover required, the amount of insurance

etc., These details are to be given to insurers either in form of proposal, letter, e mail or even verbally.

Though submission of proposal form is not compulsory, under General Insurance Memorandum (GIM) of Reserve Bank of India, for export and imports insurance, the premium is to be paid in foreign currency. If an Indian resident wants to pay premium in India Rupees then he has to give a declaration on certain aspects of premium. In practice, insurers combine Declaration along with insurance proposal. The declarations are on the following points.

Imports: That the Insured is required to take insurance and he is taking the insurance. e.g. EXW or FOB, etc. imports.

If the importer is importing any goods under import license, he undertakes that his import license will be debited by the value of the goods and the amount of insurance premium.

Exports: That the insured is required to take insurance and he is taking the insurance e.g. CIF/ CIP exports.

That he undertakes to recover the full consideration, including insurance premium from the foreign buyer and will bring the same to India in an approved manner.

Many times insurers demand copy of Invoice and packing list alongwith proposal to verify details about price, etc.

Payment of Premium: As per Indian law and practice, the premium for marine insurance cover is to be paid in Advance. However, it is possible

EXPERT'S Column



Shri Rajendra Ganatra

also to take cover against Bank Guarantee and Cash Deposits also.

In specific policy which is to be taken on case to case basis i.e. separately for each transit, the insurance is to be arranged and cover to be obtained before commencement of transit from the suppliers' premises.

Open Policy/Open Cover: These are annual contracts with the insurance company in which both the parties agree to have annual cover. The insurance company will insure all the despatches made by the client during the year and the client will insure only with that insurance company for all their despatches coming within the scope of the agreement. In open policy/Open cover, proposal form may be used or the required information may also be given in the form of letter etc. For open policy/open cover, the additional information required is about the annual turnover, past loss experience of around 3 years and major places of transit. It is advisable to give general declarations in form of letter to comply with GIM Regulations stated above.

Cover Note: Because the insurance is to be arranged in advance- before commencement of transit as all the dispatch particulars like the name of the ship, B/L No. and date, etc. are not available, policy cannot be issued. If client wants evidence of insurance having been arranged then insurance company may issue a document called Cover Note which is like interim protection note. It lays down general terms and conditions agreed. It is unstamped document so legally can not be entered as evidence in a court of law. But because of market practice it is accepted as evidence of contract with insurance company and rarely it happens that insurance company will dispute it's validity. Cover note can not be assigned so if the bankers are involved then their name is to be mentioned on it. Cover note's validity is generally for a period of 30 days. It is also subject to conditions about submission of declaration of dispatch particulars within 48 hours of shipment.

Policy: When all the particulars of insurance including name of Ship, B/L No. etc are available, Policy is issued. Policy is final document. It is the contract. It contains all the terms and conditions. It is issued in MAR form which is in two parts- Schedule and Clauses. Schedule contains variable data like name of the client, cargo, voyage, etc. and also summary of terms of insurance whereas the clauses are the main terms of insurance. Under Section 25 of Marine Insurance Act. 1963, any document which contains name of the insurance company, the name of the client, transit, amount of insurance and the cargo description can be deemed

to be policy. Moreover, to be legally valid it is to be stamped as per Indian Stamp Act. The policy can be freely assigned (unless it is prohibited by policy terms) by endorsement and delivery so in case of involvement of any bankers, etc., there is no need of putting their name on it. The client can take policy on own name and endorse it and hand over to banker to complete transfer.

Certificate of Insurance: Certificate of insurance is summary or part of the Policy which contains only the Schedule. The clauses are not attached to the certificate. In practice there is no need of attaching any clauses because they are standardized worldwide. Certificate is easy to handle because it contains around 2 pages only against policy which may contain sometimes 30 pages. Legally both policy and certificate are on equal footing as both comply with Section 25 of Marine Insurance Act.

Endorsement/ Correction slip: This is used generally to make any correction in the policy. This is issued by the insurance company on client's request. Handwritten correction authenticated by insurance company is also acceptable in practice.

Institute Classification Clause: As per market practice and law, the insurance is to be arranged in advance. So at the time of arranging insurance, the client and insurance company both are not aware about the ship/s by which cargo will be going. Ship is the major factor which decides the insurance terms. Old ships are considered riskier and insurance companies are wary about them. Similarly ships which are not well maintained are also bad risks. So when cover is granted under cover note or open policy/open cover, insurers make cover subject to Institute Classification Clause, which grants cover subject to ship/s complying with standard parameters. If there is non compliance, then the cover is granted subject to additional premium and/ or revised terms subject to prompt notice by the client about non compliance of the clause. This is called "Held Covered" provision. Many a times, insurance companies delete this provision so strict compliance of the clause is required in such cases.

The institute classification clause requires ship to be of steel construction, mechanized, not more than 15 years, and classified with a society which is member of Association of Classification Societies. If ship is operating as liner i.e on advertised schedule as per pre announced time table, then the acceptable age limit is 25 years for normal ship and 30 years for containerized ship. As stated earlier, non compliance is subject to prompt notice and payment of additional premium and/ or revised terms if "Held Covered" provision is not deleted.

Update on Cotton Acreage (as on 01.08.2013)

Sl. No	States	Normal of Year*	Normal on Week**	Area Sown (During the corresponding week in)	
				2013	2012
1	2	3	4	5	6
1	Andhra Pradesh	20.09	16.34	18.65	18.14
2	Gujarat	26.97	23.49	26.13	19.83
3	Haryana	5.82	5.19	5.56	5.15
4	Karnataka	5.28	3.09	4.50	2.81
5	Madhya Pradesh	6.55	6.37	6.16	5.97
6	Maharashtra	40.71	39.07	38.07	39.57
7	Orissa	0.98	0.94	1.11	1.13
8	Punjab	5.24	5.50	5.05	5.16
9	Rajasthan	4.18	3.27	2.93	3.00
10	Tamil Nadu	1.28	0.10	0.03	0.06
11	Uttar Pradesh	0.00	0.28	0.23	0.30
12	West Bengal	0.00	0.00	0.00	0.00
13	Others	0.43	0.00	0.10	0.00
Total		117.53	103.63	108.52	101.12

* Normal area mentioned above is average of last three years ** It is average of last three years
(Source: Directorate of Cotton Development, Mumbai)



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CAI Organised its First Programme of the year 2013 under 'Learn with CAI' Series

The first programme of the year under 'Learn with CAI' series was organised by CAI on Saturday, the 27th July 2013 on "Marine Insurance" in the Conference Room of the Association.

Shri Rishabh Shah, Convener of the Cotton School Committee, welcomed the participants and briefly introduced the course faculty Shri R. Ganatra.

Shri Ganatra Guided the participants about marine insurance including Incoterms and practical exercises relating to Invoice, etc. It was a great learning experience for the participants.

The programme concluded with a question-answer session and quiz contest. Shri Dhiren N. Sheth, President, CAI interacted with the participants.

(Shri R. Ganatra was welcomed with a Bouquet of Flowers by one of the participants)




(Shri R. Ganatra delivering his lecture on 'Marine Insurance')



(Shri Rishabh Shah, Director, CAI and Convener, Cotton School Committee addressing the participants)

(Winners of Quiz Contest)






COTTON ASSOCIATION OF INDIA
LEARN WITH CAI
PROGRAMME NO. 2013-14/2
ON
FIRE INSURANCE
Faculty: **Shri R. Ganatra**

Saturday, August 31, 2013
at 8.30 A.M. to 6.00 P.M.

Venue: Conference Room of CAI,
Cotton Exchange Bldg., 2nd floor,
Cotton Green, Mumbai-400 033

For registration please contact CAI Office
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COTTON ASSOCIATION OF INDIA
LEARN WITH CAI
PROGRAMME NO. 2013-14/3
ON
LETTER OF CREDIT
Faculty: **Shri K. Parameshwaran**

Saturday, September 28, 2013
at 8.30 A.M. to 6.00 P.M.

Venue: Conference Room of CAI,
Cotton Exchange Bldg., 2nd floor,
Cotton Green, Mumbai-400 033

For registration please contact CAI Office
Tel: (022) 30063400
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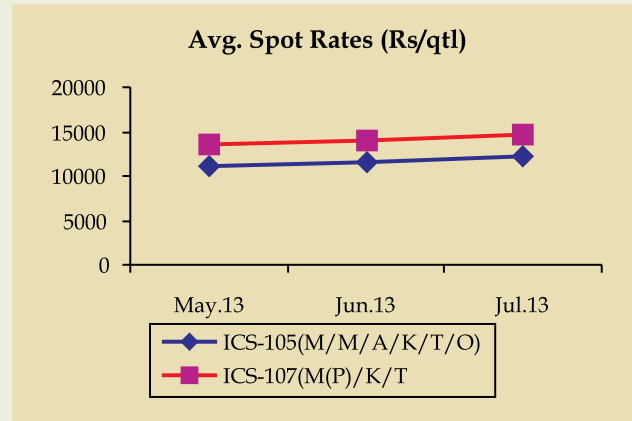
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Further Escalation in Cotton Prices in July

Prices of all cotton growths had moved up in June. They have now escalated further in July. The average spot rates of five representative cotton growths during the last three months are given below:

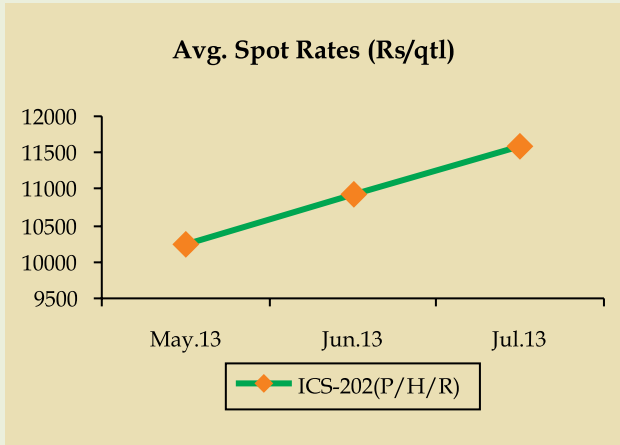
Growth	Avg. Spot Rate (Rs./Quintal)		
	May 13	June 13	July 13
ICS-202 (P/H/R)	10,255	10,940	11,595
ICS-105 (M/M/A)	10,360	11,133	11,804
ICS-105 (GUJ)	10,608	11,218	11,915
ICS-105 (M/M/A/K/T/O)	11,013	11,455	12,166
ICS-107 (M(P)/K/T)	13,633	13,934	14,583

The maximum increase of Rs.711 per quintal was in the case of ICS-105 (M/M/A/K/T/O). The second highest increase at Rs.687 per quintal was in the case of ICS-105 (GUJ), closely followed by ICS-105 (M/M/A) at Rs.671 per quintal. The third in order was ICS-202 (P/H/R) at Rs. 655 per quintal. It was closely followed by with an increase of Rs. 610 per quintal. The lowest increase of Rs.649 per quintal was in the case of ICS-107 (M(P)/K/T).

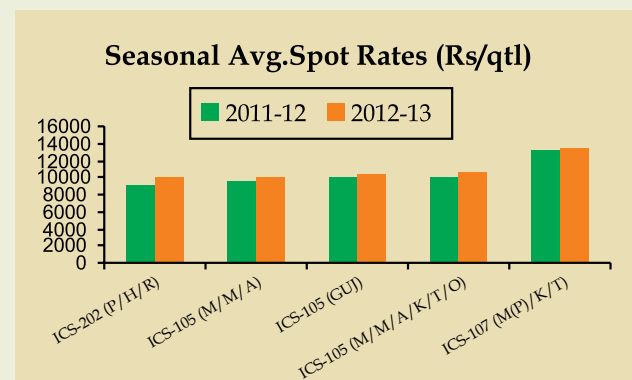
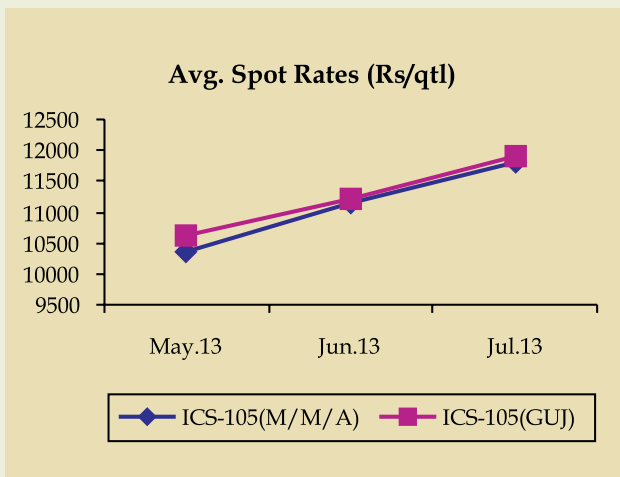


After touching a high in August, cotton prices remained weak in September and October. There was marginal increase in November and the uptrend continued in the case of most cotton growths in December. The trend was upward in January also in all growths excepting ICS-107 (M(P)/K/T), the price of which lost some ground. Prices moved up in February and continued to rise in March. There was a reversal in April when the prices moved down and the downtrend continued in May. The trend reversed in June with the prices of all growths hardening. And now in July the prices of all growths have escalated further.

A look at the comparative monthly average prices this year and last year reveals that prices have been higher in the case of all growths this year. The comparative data are as under:



Seasonal (Oct-July) Avg. Spot Rates (Rs/Qt.)			
Growth	2011-12	2012-13	Diff.
ICS-202 (P/H/R)	9,022	9,975	+ 953
ICS-105 (M/M/A)	9,479	10,107	+ 628
ICS-105 (GUJ)	9,974	10,292	+318
ICS-105 (M/M/A/K/T/O)	10,188	10,544	+356
ICS-107 (M(P)/K/T)	13,205	13,336	+131



UPCOUNTRY SPOT RATES							(Rs./Qtl)					
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]							Spot Rate (Upcountry) 2012-13 Crop JULY - AUGUST 2013					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	29th	30th	31st	1st	2nd	3rd
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 - 7.0	15	10882 (38700)	10882 (38700)	10798 (38400)	10798 (38400)	10798 (38400)	10770 (38300)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0 - 7.0	15	11164 (39700)	11164 (39700)	11079 (39400)	11079 (39400)	11079 (39400)	11051 (39300)
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	20	7817 (27800)	7817 (27800)	7817 (27800)	7874 (28000)	7958 (28300)	8042 (28600)
4	KAR	ICS-103	Fine	23mm	4.0 - 5.5	21	9280 (33000)	9280 (33000)	9280 (33000)	9280 (33000)	9308 (33100)	9336 (33200)
5	M/M	ICS-104	Fine	24mm	4.0 - 5.5	23	10545 (37500)	10545 (37500)	10545 (37500)	10545 (37500)	10601 (37700)	10629 (37800)
6	P/H/R	ICS-202	Fine	26mm	3.5 - 4.9	26	11473 (40800)	11445 (40700)	11501 (40900)	11529 (41000)	11557 (41100)	11670 (41500)
7	M/M/A	ICS-105	Fine	26mm	3.0 - 3.4	25	11304 (40200)	11304 (40200)	11332 (40300)	11389 (40500)	11473 (40800)	11529 (41000)
8	M/M/A	ICS-105	Fine	26mm	3.5 - 4.9	25	11557 (41100)	11557 (41100)	11585 (41200)	11642 (41400)	11726 (41700)	11782 (41900)
9	P/H/R	ICS-105	Fine	27mm	3.5 - 4.9	26	11698 (41600)	11670 (41500)	11726 (41700)	11754 (41800)	11782 (41900)	11923 (42400)
10	M/M/A	ICS-105	Fine	27mm	3.0 - 3.4	26	11585 (41200)	11585 (41200)	11614 (41300)	11670 (41500)	11754 (41800)	11810 (42000)
11	M/M/A	ICS-105	Fine	27mm	3.5 - 4.9	26	11838 (42100)	11838 (42100)	11867 (42200)	11923 (42400)	12007 (42700)	12063 (42900)
12	P/H/R	ICS-105	Fine	28mm	3.5 - 4.9	27	11838 (42100)	11838 (42100)	11895 (42300)	11951 (42500)	11979 (42600)	12120 (43100)
13	M/M/A	ICS-105	Fine	28mm	3.5 - 4.9	27	11810 (42000)	11782 (41900)	11782 (41900)	11838 (42100)	11895 (42300)	11979 (42600)
14	GUJ	ICS-105	Fine	28mm	3.5 - 4.9	27	11754 (41800)	11726 (41700)	11726 (41700)	11782 (41900)	11838 (42100)	11923 (42400)
15	M/M/ A/K	ICS-105	Fine	29mm	3.5 - 4.9	28	11923 (42400)	11895 (42300)	11895 (42300)	11979 (42600)	12035 (42800)	12148 (43200)
16	GUJ	ICS-105	Fine	29mm	3.5 - 4.9	28	11867 (42200)	11838 (42100)	11838 (42100)	11923 (42400)	11979 (42600)	12092 (43000)
17	M/M/A/K	ICS-105	Fine	30mm	3.5 - 4.9	29	12092 (43000)	12092 (43000)	12092 (43000)	12148 (43200)	12176 (43300)	12260 (43600)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5 - 4.9	30	12148 (43200)	12148 (43200)	12148 (43200)	12204 (43400)	12232 (43500)	12317 (43800)
19	K/A/T/O	ICS-106	Fine	32mm	3.5 - 4.9	31	12429 (44200)	12429 (44200)	12429 (44200)	12485 (44400)	12513 (44500)	12598 (44800)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0 - 3.8	33	14622 (52000)	14622 (52000)	14622 (52000)	14622 (52000)	14622 (52000)	14763 (52500)

(Note: Figures in bracket indicate prices in Rs./Candy)