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COTTON STATISTICS & NEWS

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Marine Insurance – 5

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

EXCLUSIONS:

Exclusions are non coverage- the events or perils which are NOT covered under a policy of insurance.

In marine insurance, there are generally three types of exclusions.

A) Statutory Exclusions: which are enumerated under S 55(2) of Marine Insurance Act 1963 and are applicable to all the policies of marine insurance, unless they are specifically covered.

B) Exclusions under the Institute Cargo Clauses: these are called General Exclusions, applicable to all types of covers- ICC- C, B and A and follow the pattern or MI Act 1963.

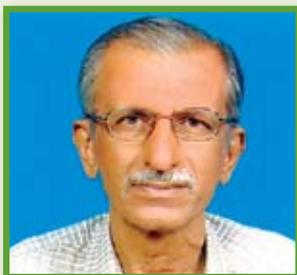
C) Specific Exclusions: these are imposed by marine insurers taking in to consideration the risk involved in a particular cover.

We will examine the various exclusions in brief:

A) Statutory Exclusions: (S 55(2) of MI Act 1963) Under the section, following exclusions are provided:

- i) Willful misconduct of the assured.
- ii) Delay even though it may be due to insured peril.
- iii) Ordinary wear and tear, ordinary leakage, ordinary breakage.
- iv) Inherent vice.
- v) Losses caused by rats and vermins.
- vi) Damage to ships' machinery not caused by maritime perils (not applicable to cargo insurance).

EXPERT'S Column



Shri Rajendra Ganatra

While applying statutory exclusions, rule of Proximate Cause is to be applied i.e only direct losses by the exclusions is not covered. For instance, if due to spontaneous combustion a fire takes place in a cargo of cotton; if spontaneous combustion is inherent vice, then (exclusion) claim will be still admissible as the proximate (direct) cause of loss will be fire and not spontaneous combustion. This rule being under the Act, the insurers cannot change it to " directly or indirectly caused by" as it is commonly done in other branches of insurance.

Secondly, the exclusion/s can be covered by specific mention in the policy e.g Institute Cargo Clauses A including spontaneous combustion. Now even the losses due to spontaneous combustion (otherwise inherent vice to cotton) without fire will also will be covered.

B) Exclusions under Institute Cargo Clauses

Exclusions under ICC are named as General Exclusions and enumerated under sub-clauses 4,5,6 and 7. They generally follow the pattern of MI Act- proximate cause rule and repeat most of the exclusions given in the Act. Moreover, certain exclusions have been amended in 2009 clauses over 1982 clauses. The exclusions are as follows:

4.1) Willful misconduct of the insured - insurance is for losses caused by fortuity or accident and not certainty and also for making good the loss and not creating the losses. If market for cotton falls unexpectedly, and the person who has taken insurance sets fire to his own stocks to cover the value from insurance, it is not covered.

4.2) Ordinary losses - leakage, weight or volume loss, wear and tear. Ordinary losses or trade losses are not covered. Trade losses are those losses which are bound to happen whatever precautions are taken in packing and transportation. Like liquids will leak, grains and pulses will reduce weight due to loss of moisture, glass will break and old machinery will suffer some minor wear and tear. But this does not mean that leakage, shortage, breakage and wear and tear are not covered. Extraordinary losses are covered if they are more than normal losses. If normal leakage in case of petrol is 1% and if actual leakage is 3%, 2%, then the loss is covered. In practice, the term "excess" is included in a policy to take care of normal losses. Amount beyond excess is paid as abnormal losses.

4.3) Insufficient / unsuitable packing/ preparation - if cargo is not packed properly and loss takes place because of that, it is not payable. Packing depends upon type of cargo,

distance to be travelled and other factors like seasons, etc. For instance, computers to be sent in packing which contains thermocol, cotton, textiles, etc. to be sent in waterproof packing in the rains, etc. If in a particular trade a particular type of packing is used over a long period, it is regarded as "customary" and exclusion is not applicable. For instance, tube lights are sent in cardboard sleeves. This is not sufficient but is customary, so it's acceptable. In case of containerised cargo, if stuffing is done by the sender, it should be done properly, otherwise exclusion applies.

Preparation is also very important, because if there is adequate lashing, etc, then exclusion is applicable.

Under 2009 clauses if packing is outsourced and is improper, exclusion does not apply.

4.4) Inherent vice or nature of the cargo-insurance covers losses due to external factors. If it is caused by internal factors, losses are not covered. E.g fruits and vegetables will decay, cotton catches suffer loss due to spontaneous combustion.

4.5) Delay - even if it is caused by insured losses. Delay in transit may give rise to loss of perishable cargo. Delay also results in loss of market or opportunity, in case of limited shelf life - delay may cause loss, if shelf life is over in transit. But all these losses are not covered. Even if delay is due to insured peril, it not covered. For instance, delay due to fire.

4.6) Insolvency or financial problems of vessel operators - exporter has to select a financially sound shipping company. If they do not have enough money and if transit is terminated at an intermediate port, insurance does not pay for extra expenses for storage and re forwarding.

4.7) Malicious damage (only for ICC- C and ICC-B) - If a person damages his own cargo, it is willful misconduct, but if an outsider or third

party or rival damages the cargo intentionally, it is called deliberate damage or malicious damage. It is not covered under ICC- B and ICC-C but can be taken as add on. Under ICC A it is covered without add on.

4.8) Nuclear losses - not covered in any insurance worldwide because it is a very big risk.

5.1/2) Unseaworthy vessel, unfit vehicle, etc. when known to insured - If not known to insured it is covered, but if known not covered. If insured knows but assignee does not know then also not covered under 1982 clauses, but covered in 2009 clauses if assignee does not know.

6.1/2/3) War and war like operations - excluded from main cover, but customarily offered as Add on- Institute War Clauses.

7.1/2/3) Strikes, Riots, Civil Commotions and Terrorism - excluded from main cover but available as Add on- Institute Strike Clauses.

In Inland Transit Clauses, exclusions are identical but War exclusion is not possible to delete and opt for Add on, as war is not covered on land.

Specific exclusions generally imposed by insurers:

- i) Excess or Deductible
- ii) Climatic conditions
- iii) Mechanical derangement
- iv) Pollution and contamination
- v) Radioactive contamination
- vi) Rusting oxidisation and discolouration
- vii) Other cargo specific exclusions

However, it is possible to negotiate for deletion of the same.



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Visit of Trustees of COTAAP Research Foundation to the Farming Fields under Various Cotton Development Programmes in Chopda on 22nd September 2013



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A large cargo ship is shown at sea, carrying a significant load of goods on its deck.



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Glimpses of Ganeshotsav

(From 9th - 18th September 2013)



Weekly Percent Departures of Rainfall - Monsoon 2013

LEG

EXCESS

NORMAL

DEFICIENT

SCANTY

NO RAIN

S. No.	WEEKS ENDING ON ---> MET. SUBDIVISIONS	28 AUG 2013	4 SEPT 2013	11 SEPT 2013	18 SEPT 2013	25 SEPT 2013
1.	ORISSA	-69%	-46%	-49%	-48%	52%
2.	HAR. CHD & DELHI	-71%	-79%	-90%	-96%	105%
3.	PUNJAB	-78%	-65%	-69%	-71%	-74%
4.	WEST RAJASTHAN	-89%	-100%	-99%	-68%	103%
	EAST RAJASTHAN	-29%	-96%	-99%	-54%	205%
5.	WEST MADHYA PRADESH	128%	-80%	-95%	-69%	167%
	EAST MADHYA PRADESH	65%	-39%	-94%	-73%	49%
6.	GUJARAT REGION	-51%	-94%	-79%	6%	740%
7.	MADHYA MAHARASHTRA	-35%	-91%	31%	193%	91%
	MARATHWADA	-64%	-95%	-19%	132%	2%
	VIDARBHA	-17%	-92%	-61%	13%	118%
8.	COASTAL ANDHRA PRADESH	-87%	-26%	13%	34%	-49%
	TELANGANA	-72%	-48%	19%	37%	16%
	RAYALASEEMA	-85%	164%	169%	77%	-81%
9.	TAMILNADU & PONDICHERRY	-75%	125%	131%	6%	-82%
10.	COASTAL KARNATAKA	-34%	-75%	-1%	67%	156%
	N. I. KARNATAKA	-73%	-4%	176%	117%	-17%
	S. I. KARNATAKA	-46%	77%	180%	130%	-46%

Note: Rainfall Statistics given above is based on real time data receipt and is subject to be updated
(Source: India Meteorological Department)

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 SEPTEMBER 2013					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	23rd	24th	25th	26th	27th	28th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 - 7.0	15	10686 (38000)	10545 (37500)	10686 (38000)	10686 (38000)	10686 (38000)	10686 (38000)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0 - 7.0	15	10967 (39000)	10826 (38500)	10967 (39000)	10967 (39000)	10967 (39000)	10967 (39000)
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	20	8295 (29500)	8295 (29500)	8436 (30000)	8492 (30200)	8492 (30200)	8492 (30200)
4	KAR	ICS-103	Fine	23mm	4.0 - 5.5	21	9448 (33600)	9448 (33600)	9561 (34000)	9589 (34100)	9589 (34100)	9589 (34100)
5	M/M	ICS-104	Fine	24mm	4.0 - 5.5	23	10967 (39000)	10967 (39000)	11107 (39500)	11135 (39600)	11135 (39600)	11135 (39600)
6	P/H/R	ICS-202	Fine	26mm	3.5 - 4.9	26	11642 (41400)	11670 (41500)	11754 (41800)	11838 (42100)	11923 (42400)	11923 (42400)
7	M/M/A	ICS-105	Fine	26mm	3.0 - 3.4	25	12148 (43200)	12148 (43200)	12288 (43700)	12345 (43900)	12345 (43900)	12345 (43900)
8	M/M/A	ICS-105	Fine	26mm	3.5 - 4.9	25	12429 (44200)	12457 (44300)	12570 (44700)	12626 (44900)	12626 (44900)	12626 (44900)
9	P/H/R	ICS-105	Fine	27mm	3.5 - 4.9	26	11923 (42400)	11951 (42500)	12092 (43000)	12176 (43300)	12260 (43600)	12345 (43900)
10	M/M/A	ICS-105	Fine	27mm	3.0 - 3.4	26	12485 (44400)	12429 (44200)	12570 (44700)	12626 (44900)	12626 (44900)	12626 (44900)
11	M/M/A	ICS-105	Fine	27mm	3.5 - 4.9	26	12654 (45000)	12682 (45100)	12795 (45500)	12851 (45700)	12851 (45700)	12851 (45700)
12	P/H/R	ICS-105	Fine	28mm	3.5 - 4.9	27	12092 (43000)	12176 (43300)	12345 (43900)	12429 (44200)	12513 (44500)	12513 (44500)
13	M/M/A	ICS-105	Fine	28mm	3.5 - 4.9	27	13020 (46300)	13076 (46500)	13216 (47000)	13357 (47500)	13357 (47500)	13357 (47500)
14	GUJ	ICS-105	Fine	28mm	3.5 - 4.9	27	13104 (46600)	13160 (46800)	13273 (47200)	13413 (47700)	13413 (47700)	13413 (47700)
15	M/M/A/K	ICS-105	Fine	29mm	3.5 - 4.9	28	13132 (46700)	13188 (46900)	13329 (47400)	13526 (48100)	13526 (48100)	13526 (48100)
16	GUJ	ICS-105	Fine	29mm	3.5 - 4.9	28	13188 (46900)	13244 (47100)	13357 (47500)	13554 (48200)	13554 (48200)	13554 (48200)
17	M/M/A/K	ICS-105	Fine	30mm	3.5 - 4.9	29	13273 (47200)	13329 (47400)	13469 (47900)	13610 (48400)	13610 (48400)	13610 (48400)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5 - 4.9	30	13329 (47400)	13385 (47600)	13554 (48200)	13694 (48700)	13694 (48700)	13694 (48700)
19	K/A/T/O	ICS-106	Fine	32mm	3.5 - 4.9	31	13554 (48200)	13582 (48300)	13723 (48800)	13863 (49300)	13863 (49300)	13863 (49300)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0 - 3.8	33	16028 (57000)	15888 (56500)	16028 (57000)	16169 (57500)	16169 (57500)	16169 (57500)

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