



Transit (Duration) Clause



Annie Chau
Senior Underwriter - Marine

The transit or duration clause (clause 8) in the institute cargo clauses is often the subject of some misunderstanding, although in reality it is fairly self-explanatory.

Careful study of the entire clause is necessary to gain a clear understanding of when cover commenced and when it is deemed to have terminated.

This newsletter reviews the transit clause and addresses some of the more common areas of confusion.

We focus on the Institute Cargo Clauses (A) as these are the most commonly used.

Note that the duration clause can be varied in the policy wording, so always refer to the full wording for specific interpretations.

Commencement

In general terms, under the transit clause in a cargo policy cover commences for the goods when they are first moved for the specific purpose of loading onto the conveying vehicle for the transit to a destination outside the premises.

Ordinary Course of Transit

Cover continues during the ordinary course of transit.

The term 'ordinary' is deemed to embrace the customary method of carriage relevant to the type of goods and the most direct route to the destination.

It would include:

- Delays during which the goods are held up pending inspection by the customs or similar authorities and awaiting arrival of the onward carrying conveyance or vessel.
- Any customary form of transport incidental to the overseas shipment of the goods, including land, river, and canal conveyances (e.g. rail, road transport, barge, lighter).
- Carriage by air when this is incidental to a shipment by sea.

It would **not** include:

- Any delay initiated by the cargo owner due to their unwillingness to take immediate delivery, nor
- Any period of resultant storage.

Termination

The Institute Cargo Clauses offer four options for termination:

- On completion of unloading from the carrying vehicle or other conveyance in or at the final warehouse or place of storage at the destination named in the policy
- On completion of unloading from the carrying vehicle or other conveyance in or at any other warehouse or place of storage used either for storage other than in the ordinary course of transit or for allocation or distribution, or;
- When the insured uses the conveying vehicle or container for storage (except in the ordinary course of transit)
- On the expiry of 60 days after the completion of discharge overboard of vessel

Termination is a question of fact determined by 'whichever shall first occur' and not a choice exercised by the insured.

For example, if five days after discharge, the goods are placed into storage for allocation or distribution, cover would cease upon completion of unloading into the store and would not continue until the expiry of 60 days after discharge of the cargo from the overseas vessel.

Clause 8 further allows for deviation of the voyage, change of voyage and transshipment or reshipment.

The NTI Import/Export Policy extends cover to terminate up to 72 hours after unloading from the final conveying vehicle but before delivery into the final warehouse to give the insured a further margin in case any delay outside their control extends in getting goods into their warehouse after unloading.

How can I find out more?

Contact your local NTI Marine Specialist and State Development Specialist, or visit www.nti.com.au