

# Trade & Transportation Insurance News

Transit (Duration) Clause

March 2008

## Introduction

The Duration or Transit 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 transit commenced and when it is deemed to have terminated.

This newsletter reviews the Duration Clause and addresses some of the more common areas of confusion.

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

Note that it is industry practice to vary the Duration Clause in the policy wording, so always refer to the full wording for specific interpretations.

As always, if you have any questions or would like further information on this or other marine matters, please contact any of our branches.

## Disclaimer

**This newsletter is for information purposes only and is not legal advice.**

### Commencement

In general terms, the Transit Clause in a cargo policy covers the goods from the time they leave the warehouse at the place named in the policy for the commencement of transit.

The VNM Import/Export Policy extends cover so that it commences from the time *the goods are first moved for the specific purpose of loading onto the conveying vehicle for the transit to a destination outside the premises*. This avoids any dispute as to when any policy covering the goods prior to transit ceased and the transit policy commenced.

### 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 (eg. 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 three options for termination:

1. on delivery to the consignees' or other final warehouse or place of storage at the destination named in the policy,
2. on delivery to any other warehouse or place of storage used for storage other than in the ordinary course of transit or for allocation or distribution,
3. 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 entry 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 transhipment or reshipment.

The VNM Import/Export Policy extends cover to terminate when each item of goods is delivered to the intended destination either in the receiver's premises or such other place as the receiver may instruct or seventy two hours after unloading from the final conveying vehicle, which shall ever first occur.

This gives the insured a further margin in case any delay outside his control extends beyond 60 days after discharge at the final port.

**The Team at Vero  
Marine and Aviation**