

DEFINITION OF TERMS

ACCEPTANCE

A draft, payable at a determinable future, date upon the face of which the drawee acknowledges his obligation to pay it at maturity. (Broadly speaking, any agreement to purchase goods under specified terms. An agreement to purchase goods at a state price and under stated terms.)

ACT OF GOD

A natural event, not preventable by any human agency, such as flood, storms, or lightning. Forces of nature that a carrier has no control over, and therefore cannot be held accountable.

ADVANCE FREIGHT

Partial payment of the bill of lading freight in advance; in other respects is the same as guaranteed freight.

AIR WAYBILL

A bill of lading (see bill of) that covers both domestic and international flights transporting goods to a specified destination. This is a non-negotiable instrument of air transport that serves as a receipt for the shipper, indicating that the carrier has accepted the goods listed and obligates itself to carry the consignment to the airport of destination according to specified conditions.

ALL RISK

The broadest form of coverage available, providing protection against all risks of physical loss or damage from any external cause. Does not cover loss or damage due to delay, inherent vice, preshipment condition, inadequate packaging, or loss of market.

ALONGSIDE

A phrase referring to the side of a ship. Goods to be delivered "alongside" are to be placed on the dock or barge within reach of the transport ship's tackle so that they can be loaded aboard the ship.

ARBITRAGE

The buying of foreign exchange, securities, or commodities in one market and the simultaneous selling in another market, in terms of a third market. By this manipulation a profit is made because of the difference in the rates of exchange or in the prices of securities or commodities involved.

AVERAGE

Any loss or damage due to insured perils that is less than a total loss. Two types of average occur: Particular Average and General Average.

BENEFICIARY

The person in whose favor a draft is issued or a letter of credit opened.

BILL OF LADING

The document issued on behalf of the carrier describing the kind and quantity of goods being shipped, the shipper, the consignee, the ports of loading and discharge and the carrying vessel. It serves as a document of title, a contract of carriage, and a receipt for goods.

BONDED WAREHOUSE

A building authorized by Customs authorities for storage of goods on which payment of duties is deferred until the goods are removed.

BREAK BULK

Loose cargo, such as cartons, stowed directly in the ship's hold as opposed to containerized or bulk cargo. See "Containerization."

BULK SHIPMENTS

Shipments which are not packaged, but are loaded directly into the vessel's holds. Examples of commodities that can be shipped in bulk are ores, coal, scrap, iron, grain, rice, vegetable oil, tallow, fuel oil, fertilizers, and similar commodities.

C&F (Cost and Freight)

Seller owns goods until they are loaded on vessel; selling price includes all costs so far plus cost of freight. The buyer is responsible for insurance.

C.I.F. (Cost, Insurance and Freight.)

Seller owns goods until they are loaded on vessel; selling price includes cost of goods, insurance, and freight.

CARGO

Goods, merchandise or commodities of every description which may be carried aboard a vessel, in consideration of the freight charged; does not include provisions and stores for use on board.

CARNET

A customs document permitting the holder to carry or send merchandise temporarily into certain foreign countries (for display, demonstration, or similar purposes) without paying duties or posting bonds.

CARRIAGE OF GOODS BY SEA ACT (C.O.G.S.A.)

1936 U.S. Statute that governs the acts that a carrier is responsible for and defines the terms used in shipping. The act provides that the shipowner's liability will be limited to \$500 per shipping package, and it stipulates a one-year time limit for filing suit against the carrier. This act automatically applies to international ocean movements but not to domestic ocean transits unless the carrier agrees to be bound by it.

CARRIER

Usually means Steamship Company, but can also refer to trucking company, airline, or railroad as transporter of cargo.

CERTIFICATE OF INSPECTION

A document often required with shipments of perishable or other goods, when certification notes the good condition of the merchandise immediately prior to shipment.

CERTIFICATE OF MANUFACTURE

A statement sometimes notarized by a producer, usually also the seller, or merchandiser that indicates the goods have been manufactured and are at the disposal of the buyer.

CERTIFICATE OF ORIGIN

A specified document, required by certain foreign countries for tariff purposes, certifying the country of origin of the merchandise. Sometimes requires the signature of the consul of the country to which it is destined.

CHARTER PARTY

A written contract between the owner of a vessel and the one (the charterer) desiring to empty the vessel, setting forth the terms of the arrangement, i.e., freight rate and ports involved in the contemplated trip.

COLLECT FREIGHT

Freight payable at destination provided the vessel delivers the goods as specified.

COMMERCIAL INVOICE

A statement of transaction between a seller and buyer prepared by the seller, and a description of the merchandise, price, terms, etc.

COMMERCIAL SET

Set of four "negotiable" documents that represents and takes the place of the goods themselves in the financing of the cargo sales transaction.

COMMON CARRIER

Transporter who holds himself out to the general public for the transportation of goods over a definite route and according to a regular schedule.

CONSIGNEE

Party who is to receive the good; usually the buyer.

CONSIGNMENT

Merchandise shipped to a foreign agent or customer when an actual purchase has not been made, but under an agreement obliging the consignee to pay the consignor for the goods when sold.

CONSOLIDATION

The Consolidation Endorsement may be added to an Open Cargo Policy at an agreed premium, to provide coverage on merchandise while in transit to, and while at, a common consolidation point for the purpose of preparing or consolidating the merchandise for export.

CONSULAR DOCUMENTS

Bills of lading, certificates of origin or special invoice forms that are officially signed by the consul of the country of destination.

CONSULAR INVOICE

A detailed statement of goods shipped certified by the consul at the point of shipment.

CONTAINERIZATION

Shipping systems based on large cargo-carrying containers ranging up to 48 feet long that can be easily interchanged between trucks, trains and ships without rehandling the contents.

CONTRABAND

During the time of war, materials carried aboard a vessel that could aid a belligerent in the process of the war, such as arms, weapons or munitions.

CUSTOMS BROKER

Licensed by U.S. Customs to clear shipments for clients, also can forward goods "In Bond" to your port.

D/A-DOCUMENTS AGAINST ACCEPTANCE

Instructions from a shipper to his bank that the documents attached to a time draft for collection are deliverable to the drawee against his acceptance of the draft.

D/P-DOCUMENTS AGAINST PAYMENT

Instructions a shipper gives to his bank that the documents attached to a draft for collection are deliverable to the drawee only against his payment of the draft.

DECK CARGO

Cargo carried outside rather than within the enclosed cargo spaces of a vessel.

DELAY

Even under All Risk coverage, damage due to delay is not recoverable. Most underwriters have inserted a "Delay Cause" in the Open Cargo Policy, which states specifically that damage caused by delay is not recoverable even if the delay was due to a peril insured against.

DOCK RECEIPT

Receipt issued by an ocean carrier or its agent for merchandise delivered at its dock or warehouse awaiting shipment.

DOCUMENTARY CREDIT

A commercial letter of credit providing for payment by a bank to the name beneficiary, usually the seller of merchandise, against delivery of documents specified in the credit.

DOCUMENTS

Papers customarily attached to foreign drafts, consisting of ocean bills of lading, marine insurance certificates, and commercial invoices, and where required, including certificates of origin and consular invoices.

DRAFT

Buyer's payment for goods.

DUTY

(a) ad valorem duty means an assessed amount at a certain percentage rate on the monetary value of an import. (b) Specific duty: an assessment on the weight or quantity of an article without preference to its monetary value or market price. (c) Drawback: a recovery in whole or in part of duty paid on imported merchandise at the time of exportation, in the same or different form.

EX (POINT OF ORIGIN)

From the point where the shipment begins movement, e.g., "Ex Factory" "Ex Mine" or "Ex Warehouse." See "Terms of Sale."

EX-DOCK (From dock.)

Seller owns goods until they are unloaded on dock at port of discharge; selling price includes all costs so far plus cost of unloading from vessel.

EX-FACTORY

Seller owns goods until they are picked up at his factory; selling price is the cost of the goods.

F.A.S. VESSEL (Free alongside steamer.)

Seller owns goods until they are delivered alongside vessel; selling price includes all costs so far plus cost of transportation to dock.

F.C.&S. (Free of Capture & Seizure)

Clause excluding war risks from the Marine Policy; war risks can be covered by issuing a separate War Policy with an additional premium being charged.

F.O.B. TRUCK (Free on board truck.)

Seller owns goods until they are loaded on truck at his factory; selling price includes all costs so far plus cost of loading on truck.

F.O.B. VESSEL (Free on board vessel.)

Seller owns goods until they are loaded on vessel; selling price includes all costs so far plus cost of loading on vessel.

F.O.B. WAREHOUSE (Free on board warehouse.)

Seller owns goods until they are delivered to buyer's warehouse at final destination; selling price includes all costs so far plus transportation to final warehouse.

F.O.B./F.A.S. ENDORSEMENT

If a merchant sells on F.O.B., F.A.S., C&F or similar terms, it is the buyer's responsibility to place the insurance.

FORCE MAJEURE

The title of a standard clause in marine contracts exempting the parties for non-fulfillment of their obligations as a result of conditions beyond their control, such as earthquakes, floods, or war.

FREE TRADE ZONE

A port designated by the government of a country for duty-free entry of any non-prohibited goods. Merchandise may be stored, displayed, used for manufacturing, etc., within the zone and reexported without duties being paid. Duties are imposed on the merchandise (or items manufactured from the merchandise) only when the goods pass from the zone into an area of the country subject to the Customs Authority. Also called FOREIGN TRADE ZONE

FREIGHT

The money charged by the carrier for transporting goods.

GENERAL AVERAGE (G.A.)

Ancient principle of equity in which all parties in a sea adventure (ship, cargo, and freight) proportionately share losses resulting from a voluntary and successful sacrifice of part of the ship or cargo to save the whole adventure from an impending peril, or extraordinary expenses necessarily incurred for the joint benefit of ship and cargo.

GENERAL AVERAGE SECURITY

Documents the cargo owner presents to the General Average Adjuster to replace the vessel owner's maritime lien on cargo for its share of General Average and to obtain release of the goods by the Steamship Company. G.A. Security consists of a G.A. Bond and either a cash deposit or an Underwriter's Guarantee.

GOODS

Cargo shipped by sea or air.

GUARANTEED FREIGHT

Freight payable whether the goods are delivered or not, provided the failure to deliver the goods resulted from causes beyond the carrier's control.

HARMONIZED SYSTEM

An international commodity classification system, developed under auspices of Customs Cooperation Council, adopted by the United States in 1989 and increasingly the most widely accepted import/export classification methodology. Replaces SCHEDULE B export codes and TARIFF SCHEDULE OF THE U.S. import codes.

IN BOND

A term applied to the status of merchandise admitted provisionally to a country without payment of duties -- either for storage in a bonded warehouse or for trans-shipment to another point, where duties will eventually be imposed.

INHERENT VICE

A loss caused by the inherent nature of the thing insured and not the result of a casualty or external cause.

INLAND BILL OF LADING

A bill of lading used in transporting goods overland to the exporter's international carrier.

IRREVOCABLE LETTER OF CREDIT

A letter of credit in which the specified payment is guaranteed by the bank if all terms and conditions are met by the drawee.

LETTER OF CREDIT - COMMERCIAL

A letter addressed by a bank, at the insurance and responsibility of a buyer of merchandise, to a seller, authorizing him to draw drafts to a stipulated amount under specified terms and undertaking conditionally or unconditionally to provide eventual payment for drafts.

LOAN RECEIPT

Document signed by the Assured where he acknowledges receipt of money advanced by the insurance company as an interest-free loan (instead of payment of a loss) repayable to the insurance company only if the loss is recovered from a third party and then only to the extent of the recovery.

LOSS OF MARKET

A situation in which, for one reason or another, sound cargo is no longer wanted by the consignee when it arrives. This is a "business loss" not recoverable under a Marine Cargo Policy; e.g., Christmas trees arriving in January undamaged.

MANIFEST

An itemized list by Bill of Lading number of the kind and quantity of all cargoes loaded aboard a vessel, prepared by the vessel's Master.

NAMED PERILS POLICY

Any marine policy limiting coverage to perils specifically listed in the policy; opposed to All Risks policy. See "All Risks."

OCEAN BILL OF LADING

Bill of lading indicating that the exporter consigns a shipment to an international carrier for transportation to a specified foreign market. Unlike an inland B/L, the ocean B/L also serves as a collection. If it is a straight B/L, the foreign buyer can obtain the shipment from the carrier by simply showing proof of identity. If a negotiable B/L is used, the buyer must first pay for the goods, post a bond, or meet other conditions agreeable to the seller.

OPEN POLICY

A cargo policy with no expiration date that provides automatic coverage of cargo to or from an Assured in a specified trade at agreed rates, terms, and conditions. Usually consists of separate Marine and War policies.

PALLET

A low portable platform, usually wooden, on which cargo is stacked for storage or transportation; a skid.

PERILS OF THE SEA

Fortuitous accidents or casualties, peculiar to transportation on a navigable water, such as stranding, sinking, collision of the vessel, striking a submerged object, or encountering heavy weather or other unusual forces of nature.

PHYTOSANITARY INSPECTION CERTIFICATE

A certificate, issued by the US Department of Agriculture to satisfy import regulations for foreign countries, indicating that a US shipment has been inspected and is free from harmful pests and plant diseases.

PILFERAGE

The theft of part of the contents of a shipping package.

POLITICAL RISK

In export financing the risk of loss due to such causes as currency inconvertibility, government action preventing entry of goods, expropriation or confiscation, war, etc.

PRO FORMA INVOICE

An invoice provided by a supplier prior to the shipment of merchandise, informing the buyer of the kinds and quantities of goods to be sent, their value, and important specifications (weight, size, etc.)

SHIPPER'S EXPORT DECLARATION

A form required for all shipments by the US Treasury Department and prepared by the shipper, indicating the value, weight, destination, and other basic information about an export shipment.

SHIPPER'S LOAD AND COUNT

Note on bill of lading indication that the contents of a container were loaded and counted by the shipper and not checked or verified by the Steamship Company.

SPECIAL POLICY OF INSURANCE

Document issued on behalf of the Underwriter stating the terms and conditions of the marine insurance. Issued when evidence of insurance is required, as by the bank issuing the Letter of Credit.

STANDARD INTERNATIONAL TRADE CLASSIFICATION (SITC)

A standard numerical code system developed by the United Nations to classify commodities used in international trade.

STRAIGHT BILL OF LADING

A non-negotiable bill of lading in which the goods are consigned directly to a named consignee.

SUBROGATION

The operation by which the insurance company (on payment of a claim) assumes all of the assured's rights to recovery from any third parties; substitution of one creditor for another.

SURVEYOR

A marine specialist who examines damaged property and determines the cause, nature, and extent of damage and methods of repair and/or replacement. He is not an adjuster, and all his actions are without prejudice to policy terms and conditions.

TARE WEIGHT

The weight of a container and packing materials without the weight of the goods it contains.

TENOR

The term fixed for payment of a draft.

TERMS OF SALE

The invoice is the sales contract between buyer and seller and indicates the Terms of Sale.

THROUGH BILL OF LADING

A single bill of lading converting both the domestic and international carriage of an export shipment. An air waybill is essentially a through bill of lading used for air shipments. However, ocean shipments usually require two separate documents -- an inland B/L for domestic carriage and an ocean B/L for international carriage. Through bills of lading are insufficient for ocean shipments.

TONNAGE

Gross Tonnage - Total internal carrying capacity of a vessel expressed in measurement tons (one measurement ton = 100 cu. ft.).

TRANSIT SHIPMENT

A term designating a shipment destined for an interior point or a place best reached by reshipment from another port.

TRANSSHIPMENT

To transfer from one ship or conveyance to another for further transit.

VALUATION CLAUSE

The clause in the Marine Policy that contains a fixed basis of valuation agreed upon by the Assured and the Underwriter and which establishes the insured value of the merchandise. The Clause determines the amount payable under any recoverable loss or General Average contribution.

VESSEL

Every description of watercraft or other artificial contrivance used, or capable of being used, as a means of transportation on water.

WAR RISKS

Those risks related to two (or more) belligerents engaging in hostilities, whether or not there has been a formal declaration of war. Such risks are excluded by the F.C.&S. (Free of Capture and Seizure) Warranty, but may be covered by a separate War Risk Policy, at an additional premium.

WAREHOUSE RECEIPT

A receipt supplied by a warehouseman for goods he has placed in storage.

WAREHOUSE-TO-WAREHOUSE CLAUSE

The clause in the Cargo Policy that defines when coverage commences and terminates. It is the intent of the policy to attach at the time the goods leave the warehouse of origin named in the Policy, and to continue while the goods are in due course of transit until delivered to the warehouse of destination named in the Policy, where it terminates.

WHARFAGE

A charge assessed by a pier or dock owner for handling incoming or outgoing cargo