Willis Towers Watson

The stock throughput solution

Transit and stock in a single policy

Stock throughput

What is it?

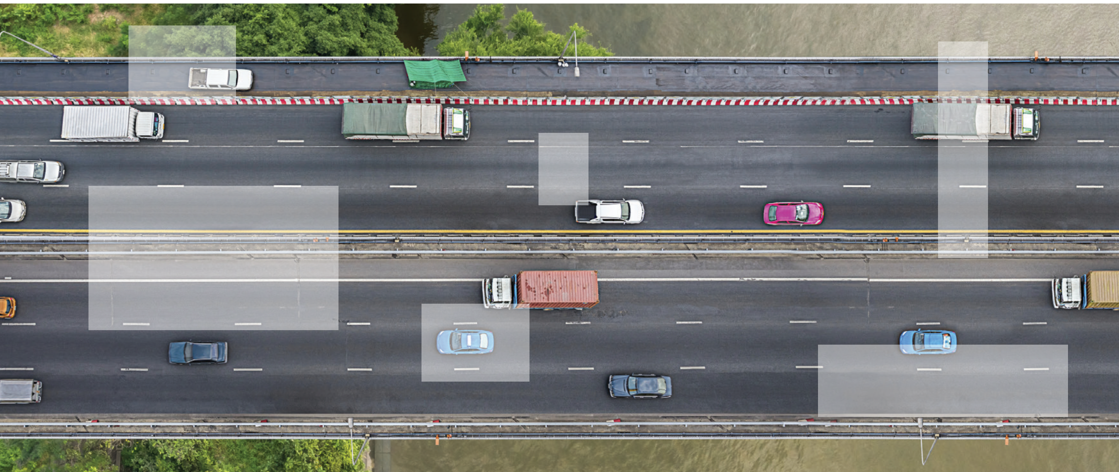
An "All Risks" Marine Cargo policy, suited to retailers, manufacturers and traders, which can include:

- Inland and international transits by any mode of transportation
- Stock (inventory), including raw materials, work in progress as well as finished goods
- Ancillary extensions, such as travellers' samples, exhibitions and trade shows

The benefits

- **One single policy covering all your transits and stock exposures:**
  - Avoiding potential duplication and gaps in cover
  - Consistent and seamless coverage
- **Simplification of claims settlement:** Referral to one policy in event of a claim
- **Reduced administration:**
  - Generally no shipment or location reporting requirements
  - Premium can be based on a single rate applied to sales turnover
- **Lower premium spend:** A stock throughput may significantly reduce the total cost of risk, through a mixture of reduced premiums and deductibles *
- **No time restriction how long goods are in store**
- **Competitive stock deductibles:** Stock deductibles are generally lower in the cargo market
- **Beneficial stock limits:** Cover on an "any one location" basis avoiding named location limits
- **Reduced business interruption exposure on non-marine placement:** Basis of valuation linked to final sales price
- **Frees up capacity in the non-marine market:** Stock values placed in the marine market
- **Flexibility:** Insured can choose which exposures they wish to include under their stock throughput
- **Control over insurance:** By insuring stock in third party or unnamed locations, the insured determines scope of cover, based on their requirements

* see Frequently asked questions for further details



Frequently asked questions

Is this a new concept?

No, in fact stock throughputs have formed part of many cargo underwriter portfolios for more than 30 years.

What happens to my existing property policy and my business interruption coverage in particular?

Your existing property policy will remain in place for your buildings/assets and business interruption (BI).

All of your stock can be removed from this policy and placed in the marine insurance market. This can reduce your property damage/business interruption premium expenditure overall.

However, in order to maintain business interruption coverage, your property damage policy should be amended to provide business interruption cover arising out of the stock exposures. This is often referred to as a "wraparound clause."

What happens to my stock cover during the manufacturing process?

The stock can be covered during the manufacturing process under a stock throughput, but subject to a process clause.

When does cover cease?

In most cases, cover ceases upon delivery to final customer. For some insureds this may include coverage whilst in showrooms, or in stores before the final customer purchases the item.

Is a stock throughput always more cost effective?

In many instances a stock throughput can significantly lower the total cost of risk, through a mixture of reduced premiums and deductibles. However in some situations, the credit awarded by non-marine insurers may not be sufficient to guarantee an overall premium reduction.

Is premium charged any differently to a traditional cargo placement?

No, it is often charged on the same basis. The most usual method is to set up an initial deposit premium which is then adjustable on expiry at a single rate, frequently based on sales turnover.

Would combining my cargo and stock exposures into a stock throughput placement make claims settlement any more complex?

No. It is generally easier. Cargo has a pre-agreed value in the event of a loss, whereas the non-marine placement may require a more complex analysis of the replacement costs involved.

Questionnaire

Opening information required

Inbound shipments

- Description/type of goods travelling inbound (give percentage split)
- From where do the goods originate? (give percentage split)
- Valuation basis of inbound goods
- Average and maximum shipment values
- Packing details
- Primary coverage or contingent coverage (give percentage split)

Outbound shipments

- Description/type of goods travelling outbound (give percentage split)
- What are the destinations of outbound goods? (give percentage split)
- Valuation basis of outbound goods
- Average and maximum shipment values
- Packing details
- Primary coverage or contingent coverage (give percentage split)

Stock coverage

- Storage locations (provide complete addresses)
- Valuation basis whilst static
- Average and maximum monthly stock exposure per location
- Construction details of the locations
- Survey reports may be required

Intercompany movements

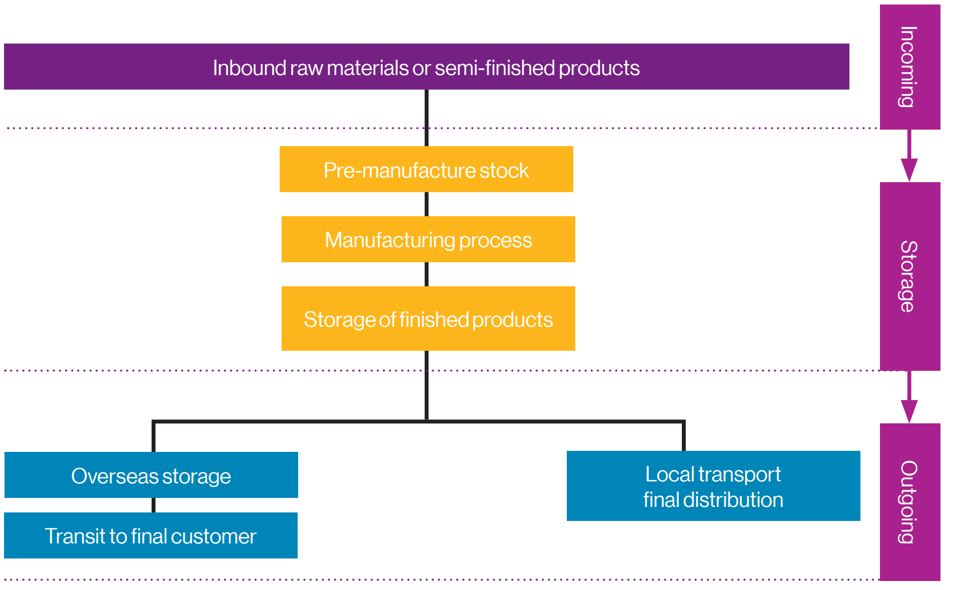
- Average and maximum shipment values of these movements
- Valuation basis of these shipments
- Total annual values exposed

General

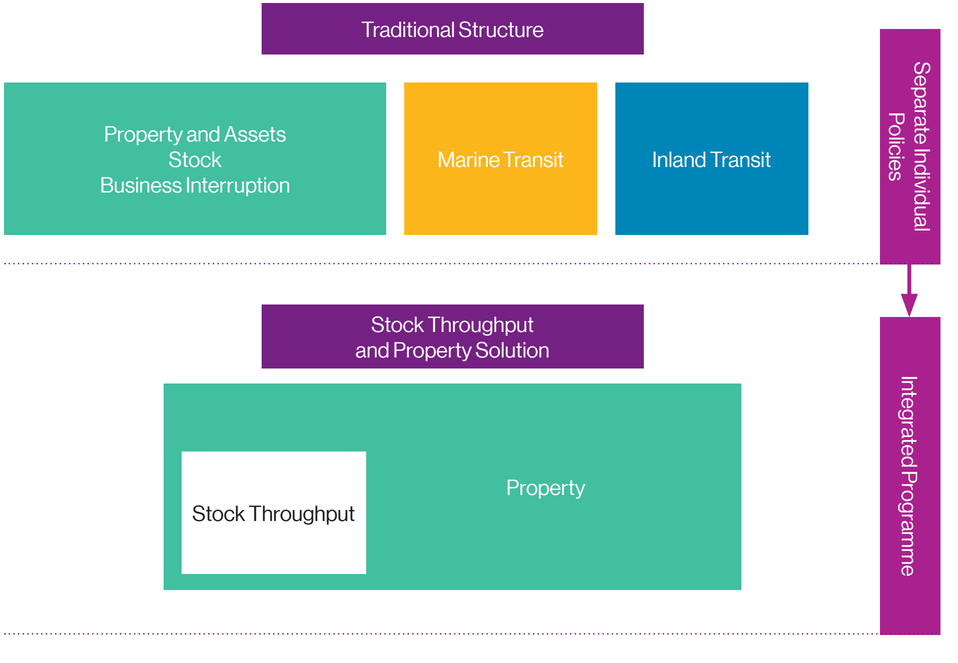
- Background details of the insured's operations
- Annual sales turnover
- Loss history for transits and stock, from ground up, ideally for the past 5 years if available
- Preferred deductible levels
- Rights of recovery against hauliers and other third parties

Depending on the nature of the risk additional information may be required at a later date.

Stock throughput – how it works



Placement structure comparison



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