



## THE NEED FOR CARGO INSURANCE AND THE MECHANISM OF USING INCOTERMS AND INSURANCE CONTRACTS

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**Annotation.** In this article the requirement of cargo insurance contracts in people's lives in order to conduct business has been discussed, additionally, Incoterms and cargo insurance contracts have been compared with each other.

**Key words:** cargo insurance, incoterms, cargo insurance contracts, insurance by air, railway and sea.

## НЕОБХОДИМОСТЬ СТРАХОВАНИЯ ГРУЗОВ И МЕХАНИЗМ ИСПОЛЬЗОВАНИЯ ИНКОТЕРМС И ДОГОВОРОВ СТРАХОВАНИЯ

**Аннотация.** В данной статье обсуждается необходимость договоров страхования грузов в жизни людей для ведения бизнеса, а также сравниваются Инкотермс и договоры страхования грузов между собой.

**Ключевые слова:** страхование грузов, Инкотермс, договоры страхования грузов, страхование воздушным, железнодорожным и морским транспортом.

## YUKLARNI SUG'URTA QILISHNING ZARURIYATI HAMDA INKOTERMS VA SUG'URTA SHARTNOMALARIDAN FOYDALANISH MEKANIZMI

**Annotatsiya:** Ushbu maqolada tadbirkorlik bilan shug'ullanuvchi shaxslar yuklarini sug'urtalash shartnomalarining talablari ko'rib chiqiladi, qo'shimcha ravishda Inkoterms qoidalari umumiy tartibi va ular yuklarni sug'urtalash shartnomalari bilan o'zaro taqqoslanadi.

**Kalit so'zlar:** yuklarni sug'urtalash, inkoterms, yuklarni sug'urtalash shartnomalari, havo, temir yo'l va dengiz orqali sug'urta qilish.



We know that when every person engaged in business enters into a mutual contractual relationship with a foreign country, there is a high probability of accidents during the delivery of goods. It is convenient and safe for all parties to prevent this risk, regardless of the form of delivery. Likewise, cargo insurance is crucial for every individual or organization conducting business, whether locally or internationally. There are several ways to move cargo, including by air, sea, and land. These are regarded as unique types of cargo insurance, and they all have different delivery protocols, specifications for the cargo, and terms and conditions for the insurance. When there is damage to the cargo, the individual who has cargo insurance does not have to pay any money. However, he had to have paid the insurance premium and signed an insurance contract with an insurance company in order for this to happen.

In the event that something goes wrong during transportation, an individual will be compensated for the value as stated on the commercial invoice if he has cargo insurance. The sum will be reimbursed using the market value in the absence of a commercial invoice. The cost of transportation will also be covered. It is his responsibility as the shipper to make all appropriate insurance arrangements. Sometimes the freight forwarder or carrier will point out to him that he has the option of insuring cargo.

The following variables affect the insurance premium amount:

- the commodities' worth and type;
- their destination;
- a mode of transportation that was chosen.

We clarified that cargo insurance provides financial support to the cargo owner in the event of a variety of losses, and it has numerous significant features for individuals:

- risk mitigation - businesses are protected by cargo insurance, which offers monetary coverage against any losses brought on by a range of hazards, including as theft, damage, natural catastrophes, and accidents that occur during transportation. Businesses that engage in international trade may face serious financial threats as a result of these hazards;

- legal and regulatory compliance - many nations require cargo insurance to be carried on imported products, particularly when it comes to particular categories of items or means of transportation. This helps avoid possible legal problems by ensuring that the company complies with compliance rules across multiple jurisdictions;



- risk management - businesses can efficiently control the risks involved with international trading by obtaining the proper cargo insurance. This makes it possible to organize finances more predictably and keeps commercial activities running even in the face of unforeseen circumstances;

- import-export operations - businesses may negotiate the frequently intricate and dangerous logistics of international trade with more assurance and security if their goods are insured against a variety of potential risks;

- market credibility - when a company can prove that its goods are covered by cargo insurance, it makes a better impression on clients, partners, and international trade colleagues.

- supply chain integrity - unexpected hazards like theft, accidents, and natural disasters might happen to goods while they are in transit. Because it protects against events that may otherwise impede the efficient flow of commodities, cargo insurance is essential to preserve the integrity of the supply chain.

So that an individual, who conducts business in international trade, needs a cargo insurance in order not to face the difficulties as the above.

In order not pay the payment for the losses a business partner should conduct an insurance contract with an insurance company. The reason why the insurer has to pay the damages to the insured after making a contract, surely, this happens in relation to the circumstances of the contract. The Civil Code and the Law on Insurance Activities govern insurance contracts in Uzbekistan. It states that contracts for insurance are finalized. These insurance contracts are concluded so that the policyholder can safeguard himself against potential losses that may arise when shipping merchandise abroad. If not, he will be held accountable for any harm done to the shipment. The policyholder must have paid the insurance firm the premium before that.

Business entities in international trade mutually agree with the other party whether or not to insure the cargo during the implementation of import-export issues relating to cargo. For this reason, international trade terms—such as CIP (carrier & insurance paid to) or CIF (cost, insurance, and freight), the portion of Incoterms connected to insurance—are included in the sales contract at the moment it is signed. He has the option to insure that goods with a different insurance provider. Let's now count the variations between these two:

CIP (carriage and insurance paid to) is used for any transportation such as road, rail, air or sea in order to deliver any kind of carriage to the buyer. The seller is responsible for delivery costs, insurance and delivery. Where the seller pays the



carriage cost and insurance up to the destination agreed upon by the parties, and after reaching the destination, all obligations are transferred to the buyer.

CIF (cost, insurance and freight) is made use of goods at sea only. It states that all export-related expenses, including the cost of shipping, insurance, and freight, are the seller's responsibility up until the point at which the items are unloaded at the destination harbor. In CIF, all additional transaction costs, including taxes, customs charges, and the cost of importing the items, are the buyer's responsibility. The main benefit of these INCOTERMS are that every process is transparent and transactions and obligations are signed in a fair way to the parties of the contract in order to decrease the disputes between parties.

*Why are Incoterms used in international trade and what is the main goal to utilize it?*

Incoterms are issued by the International Chamber of Commerce (ICC) and also define the responsibilities of sellers and buyers for the sale of goods in international transactions.

1. Uniformity and clarity - Incoterms offer a common language to both buyers and sellers engaged in cross-border transactions, guaranteeing uniformity and clarity in the interpretation of international trade agreements. This makes communication easier and helps to prevent misconceptions about the obligations and liabilities of each party to a transaction.

2. Unambiguous assignment of duties - incoterms specify the precise obligations, dangers, and expenses assumed by the seller and the customer during the various shipping phases, such as loading, shipping, and unloading.

3. Clear risk management - incoterms divide up the risks between the parties at specific stages of the shipping process, making it easier for both parties to know when their obligations and the risks that go along with them start and stop.

4. Transparency in cost estimates - by helping buyers and sellers precisely estimate and manage expenses associated with international transactions, such as shipping, insurance, and customs charges, Incoterms promote improved risk assessment and financial planning.

5. Versatility for varied modes of transports - incoterms are flexible enough to be applied to varied delivery locations and modes of transportation (road, rail, sea, and air), giving them the adaptability needed to handle a range of international trading situations.

6. Shorten the size of the contract and create an ease for both parties in order to make international transactions.



7. Especially incoterms are used in the contract of a carriage.

8. Every party has a right so as to enter Incoterms into the contract, which is being conducted.

In summary, insurance contracts are signed with insurance companies, who then pay out claims when certain insurance-related circumstances arise. The insured is required to pay the insurance premium prior to that. This contract, which is directly tied to the cargo, is distinct from the primary sales deal. The parties refer to Incoterms as a clause in the sales contract that governs how international contacts are implemented. Regardless of the form in which the cargo is conveyed, Incoterms have all forms. When it comes to insurance contracts, the company pays the insurance when the events specified in the contract take place. Incoterms and insurance contracts are not mandatory for parties, they may use other types of shipments. In the case of cargo insurance, if the cargo is sold on the basis of a sales contract, the cargo insurance is determined on the basis of CIP or CIF according to Incoterms. If the cargo owner is protecting the cargo for protection against emergencies and moving the cargo from one place to another, and not for the purpose of sale, he will conclude a cargo insurance contract with the insurance company. In this case, Incoterms cannot be used, but the cargo is insured based on the terms of the insurance company.

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