

Mexico Bans Imports of Foreign Textiles: Does My Insurance Policy Cover That?

By Diana Gliedman, Dennis Nolan, Fiona Hogan

By [presidential decree](#), Mexico recently banned certain temporary textile imports through its Manufacturing, Maquiladora and Export Services Industry (IMMEX) import duty-deferral program and increased tariffs on many textile products. Previously, the IMMEX program allowed textiles to move temporarily into Mexico duty-free if they were intended for re-export to the United States.

The decree has left many textile and apparel companies and third-party logistics (3PL) providers scrambling. 3PL companies are unable to receive foreign textile imports in Mexico, while textile and apparel companies face mounting costs as they attempt to reroute and store products, pay unexpected duties and other costs, find alternate suppliers and warehouses, and more.

Companies affected by Mexico's prohibition of textile imports should look to their insurance programs to recover for potential losses. Specifically, the following policies may provide insurance coverage:

- **Supply Chain:** Supply chain insurance provides coverage for loss resulting in a delay or disruption in the receipt of products, components, or services from a supplier. This coverage does not require physical loss or damage and can be implicated by various unexpected events such as natural disasters, industrial accidents, labor issues, production process problems, civil or military action, regulatory issues, financial issues, and closure of transportation infrastructure.
- **Business Interruption (BI):** This form of business income insurance provides protection against revenue losses due to the suspension or reduction of operations of a policyholder's business. Courts have required that loss relate to physical damage. Recently, insurance companies have begun selling non-physical damage business interruption insurance, after New York Governor Kathy Hochul [signed a law](#) authorizing such coverage last September. BI coverage often includes:
 - **Civil Authority:** Civil authority clauses are often part of business income coverage that cover losses sustained due to an order or action of civil or military authority issued in connection with a covered peril.
 - **Contingent Business Interruption (CBI):** CBI is a form of business income insurance that provides protection against revenue losses resulting from a third-party supplier or distributor shutdown that affects the policyholder's ability to produce a product or provide a service. CBI coverage generally requires that the shutdown result from a cause (e.g., flood) covered in the policyholder's property policy.
 - **Contingent Extra Expense:** Contingent extra expense insurance provides coverage for extra expenses incurred when a customer or supplier's business is interrupted.

- **Marine Cargo/Stock Throughput:** Marine cargo insurance typically covers the owner of goods in transit against physical loss or damage. Although many marine cargo policies expressly exclude losses caused by delay, some policies, including stock throughput policies, may cover such losses. Marine cargo insurance may also cover other losses caused by detours or delays in shipping, such as forwarding and warehousing expenses, or the cost of additional fees owed to the transportation company, which could be particularly relevant here.

When pursuing insurance coverage, time is of the essence. If your business is affected by the recent Mexican presidential decree, you should take immediate action to review your policies, speak with your insurance brokers, notify your insurance companies, carefully document your losses, and contact an insurance professional if questions arise concerning the scope of applicable coverage.

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