

MARINE INSURANCE

PRESENTATION
BY



Accurate Risk Managers & Insurance Brokers Pvt. Ltd.



INSURANCE COVERAGES FOR MOVEMENT OF CARGO FROM PLACE TO PLACE AGAINST TRANSIT RISKS

BROADLY DIVIDED INTO

- CARGO INSURANCE
- HULL INSURANCE

MARINE INSURANCE



- ▶ Governed by a special Act called “Marine Insurance Act 1963”
- ▶ Cargo policies are freely assignable
- ▶ Insurable interest is a must at the time of loss – ppi makes all the difference
- ▶ “Inco Terms” is only an indication “who can insure”
- ▶ Utmost Good Faith is a statutory obligation on the insured as per the Act

PECULIARITIES OF MARINE INSURANCE



- ▶ In the manner and to the extent agreed
- ▶ Normally CIF plus 10% which is intended to include the general overheads and perhaps a margin of profit
- ▶ Provides a commercial or modified form of indemnity
- ▶ Value agreed in case of total loss and a percentage depreciation in case of partial loss

INDEMNITY – UNDER MARINE INSURANCE



- ▶ The current policy form contains no insuring conditions.
- ▶ The terms and conditions are set out in the appropriate Institute Cargo Clauses and other Clauses
- ▶ Policy is issued for covering individual consignment from named starting point to final destination point
- ▶ It should be stamped as required by the Indian Stamp Act.
- ▶ A contract of marine insurance shall not be admitted as evidence unless it is embodied in a marine policy in accordance with the Marine Insurance Act 1963 (Sec. 24)

STANDARD FORM OF MARINE POLICY



7. The sum Insured – Basis of valuation
 8. The premium – Marine and War & SRCC separately and stamp duty
 9. Name and address of the surveyor/claim settling agent to be approached in case of claim
 10. Terms of insurance cover granted – clauses, special conditions and warranties
1. Policy Number
 2. Name and address of the assured with bank interest if any
 3. Name of the vessel carrying the cargo
 4. Description of the voyage/transit
 5. Subject matter insured with description of packing – description of the marks and numbers
 6. B/L; R/R; L/R with dates

CONTENTS OF THE SCHEDULE OF MARINE POLICY

BESIDES NAME OF THE INSURER AND ITS POLICY ISSUING OFFICE DETAILS THE SCHEDULE SHOULD CONTAIN:



- ▶ Policy form does not contain insuring clauses
- ▶ Terms of cover are specified by means of various Institute Cargo clauses and endorsements attached.
- ▶ The prominent clauses are :
 - a) Institute Cargo Clauses A, B & C
 - b) Institute War Clauses (Cargo)
 - c) Institute Strikes Clause (Cargo)
 - d) Institute War Clauses (Air Cargo)
 - e) Institute Strikes Clauses (Air Cargo)
 - f) Inland transit Rail/Road Clause
 - g) Strike Riots and Civil Commotions Clause
 - h) Institute Trade Clauses

CARGO POLICIES COVERAGES



Institute Cargo Clauses 'C'

- 1) Fire or explosion
- 2) Vessel/craft being stranded, grounded, sunk or capsized
- 3) Overturning/derailment of land conveyance
- 4) Collision or contact of vessel, craft or conveyance with any external object other than water
- 5) Discharge of cargo at a port of distress
- 6) General Average sacrifice
- 7) Jettison
- 8) General Average and Salvage Charges incurred to avoid loss from any cause(s) except those excluded.

INSTITUTE CARGO CLAUSES A, B & C

RISK COVERED:



Besides all coverage under ICC 'C', the ICC 'B' covers the following addl. perils.

- ▶ Earthquake, Volcanic eruption or lightning
- ▶ Washing overboard
- ▶ Entry of sea, lake or river water into the vessel, craft, hold, conveyance, container, lift van or place of storage.
- ▶ Total loss of any package lost overboard or dropped whilst loading or unloading from vessel or craft.

INSTITUTE CARGO CLAUSES 'B' RISK COVERED:



- 9) Liability under “Both to Blame Collision” clause of the bill of Lading.
- 10) Charges reasonably and properly incurred to avert/minimise an insured loss and to preserve and pursue recovery rights.
- 11) In the event of termination of transit at a port or place other than destination port or place resulting from a risk covered, EXTRA CHARGES incurred in unloading, storing and forwarding insured cargo to destination

INSTITUTE CARGO CLAUSES A, B & C

RISK COVERED:



- Theft, pilferage and/or non-delivery
- Fresh water and rain water damage
- Damage by hooks, oils, mud, acid and other extraneous substances
- Heating and sweating
- Damage by other cargo

The above perils are automatically covered under ICC 'A'

EXTRANEIOUS PERILS THAT CAN
BE COVERED ICC 'C' & 'B' AT
APPROPRIATE ADDL. PREMIUM



- 1) This insurance covers all risk of loss or damage to the subject matter insured except those specifically excluded in the clauses
- 2) This insurance covers general average and salvage charges except those excluded in clauses
- 3) This insurance is extended to indemnify the Assured against such proportion of liability under the contract of affreightment “Both to Blame Collision” clause

INSTITUTE CARGO CLAUSES

‘A’

RISK COVERED:



1. Willful misconduct of the Assured
2. Ordinary leakage, ordinary loss in weight/volume, or ordinary wear and tear of the subject matter insured.
3. Insufficient and unsuitability of packing
4. Inherent vice or nature of the subject matter
5. Delay even though caused by insured perils
6. Insolvency or financial default of the ship owners
7. Nuclear perils
8. Unseaworthiness and unfitness of the vessel/conveyance (if the Assured is not aware of)
9. War and warlike perils and strike perils.

War perils and strike perils can be covered concurrently by attaching

Institute War and Strike Clauses

GENERAL EXCLUSIONS UNDER INSTITUTE CARGO CLAUSES



1. The risk attaches from the time the goods leave the warehouse or place of storage at the place named herein for the commencement of the transit, continues during the ordinary course of transit and terminates either.
2. On delivery to the consignees or other final warehouse or place of storage at the destination named herein.
3. On delivery to any other warehouse or place of storage whether prior to or at the destination named herein which the Assured elect to use either.
 - a) For storage other than in the ordinary course of transit or
 - b) For allocation or distributionor
4. on the expiry of 60 days after completion of discharge over side of the goods hereby insured from the oversea vessel at the final port of discharge, whichever shall first occur.

DURATION OF COVER UNDER INSTITUTE CARGO CLAUSES



1. Fire
2. Lightning

INLAND TRANSIT RAIL/ROAD
CLAUSES 'C'
RISKS COVERED



- ▶ Besides coverage under 'C' the clauses 'B' additionally covers:
 1. Breakage of bridges
 2. Collision with or by the carrying vehicle
 3. Overturning of the carrying vehicle
 4. Derailment of accident of like nature to the carrying rail wagon/vehicle

INLAND TRANSIT RAIL/ROAD CLAUSES 'B' RISKS COVERED



- 1) Institute Commodity Trade Clause A, B & C
- 2) Institute Coal Clauses
- 3) Institute Jute Clauses
- 4) Institute Natural Rubber Clauses
- 5) Institute Timber Trade Federation Clauses
- 6) Institute Bulk Oil Clauses
- 7) Institute Frozen Food Clauses – exclg. meat
- 8) Institute Frozen Meat Clauses 'A' & 'C'

INSTITUTE TRADE CLAUSES



- ▶ All risks except those specifically excluded

INLAND TRANSIT RAIL/ROAD CLAUSES 'A' RISKS COVERED



- ▶ Willful misconduct
- ▶ Ordinary/inevitable loss or damage
- ▶ Insufficient or unsuitable or preparation
- ▶ Delay
- ▶ Inherent vice or nature of subject matter
- ▶ War perils
- ▶ Strike perils

(strike perils can be covered at an additional premium by attaching SRCC Clauses)

INLAND TRANSIT RAIL/ROAD CLAUSES EXCLUSIONS



▶ ICC A ,B AND C	60 DAYS
▶ ICC AIR CARGO	30 DAYS
▶ INLAND TRANSIT	7 DAYS
▶ WAR CLAUSES (SEA)	WATERBORNE
▶ WAR CLAUSES (AIR)	ON DISCHARGE
▶ STRIKE CLAUSE(SEA)	60 DAYS
▶ SRRIKE CLAUSE(AIR)	30 DAYS
▶ SRCC	7 DAYS
▶ COMMODITY TRADE	60 DAYS
▶ COAL	60 DAYS
▶ JUTE	15 DAYS
▶ NATURAL RUBBER	30 DAYS
▶ TIMBER	60 DAYS
▶ BULK OIL	60 DAYS

TIME LIMITS AS PER TRANSIT CLAUSES OF VARIOUS CARGO CLAUSES



- ▶ COMPREHENSIVE CLAUSE
- ▶ INSTITUTE REPLACEMENT CLAUSE
- ▶ PAIR AND SET CLAUSE
- ▶ CUTTING CLAUSE
- ▶ LABEL CLAUSE
- ▶ PICKING CLAUSE
- ▶ CARBLING CLAUSE

INCIDENTAL CLAUSES



1. VESSEL

- Overage
- Tonnage
- Flag
- Type
- Classification

2. SUBJECT MATTER

- Nature of packing
- Bulk or bagged cargo
- Inherent vice or Nature of cargo

3. PROPOSER

- Status
- Moral hazard

4. TERMS OF COVER

- Restricted
- All Risk Cover

5. VOYAGE

- Route
- Distance and Destinations

FACTORS INFLUENCING THE RATING



- ▶ A loss caused by or directly consequential on a general average act.
- ▶ The act include a GA sacrifice as well as a GA expenditure - Voluntarily and intentionally but reasonably made or incurred in time of peril for the common safety of the property imperiled in a maritime adventure

GENERAL AVERAGE



- ▶ Damages to ship's anchors and/or cables whilst attempting to refloat a stranded vessel
- ▶ Bulkhead broken to reach the seat of fire in the lower holds
- ▶ Sails and spares lost while forcing the vessel off the ground
- ▶ Burning of ships materials as fuel to reach nearest port of refuge in time of peril
- ▶ jettisoning of cargo and freight lost on the same
- ▶ Damage to other cargo by water used for fire fighting

GA SACRIFICES



- ▶ cost of entering and leaving the port of refuge and the cost of loading and reloading of cargo at a port of refuge and incidental storage charges
- ▶ Hire charges for craft for lightening the vessel or hire charges for tugs used to tow the vessel to a port of refuge
- ▶ Wages and maintenance of crew members for the extra time

GA EXPENDITURE

- ▶ Incurred in terms of duty of the assured clause
- ▶ Expenses reasonably incurred for averting or minimising the loss
- ▶ Payable irrespective of percentage even in addition to total loss
- ▶ Incurred short of destination
- ▶ Reconditioning cost to prevent aggravation of damage – hides damaged by sea water – extra fader for live cattle on board
- ▶ Incurred when loss is eminent/threatened not short of destination is particular charge as well as sue & labour

SUE AND LABOUR CHARGES



- ▶ Remuneration charged on “no-cure-no-pay” basis by the anybody who voluntarily and independently of any contract renders services to rescue or save the property endangered at sea.
- ▶ The charges are substantial. The admiralty Court and other courts recognise and encourage such charges
- ▶ The salvagers are having the lean over the property saved till their charges are paid

SALVAGE CHARGES



- ▶ Specific Policy
- ▶ Open Policy
- ▶ Special Declaration Policy
- ▶ Annual Policy
- ▶ Open Cover
- ▶ Sellers' Contingency Policy
- ▶ Duty and Increased Value Policy

TYPE OF CARGO POLICIES



- ▶ Isolated shipments covered by issue of individual policies for a specific voyage/transit

SPECIFIC POLICY



- ▶ A Type of Floating policy and it is a stamped document
- ▶ To take care of frequent transit with considerable turnover
- ▶ Issued for covering inland transit
- ▶ Sum insured normally representing annual turnover – can be enhanced from time to time to suit the requirement
- ▶ Unstamped certificate can be issued for each dispatch/declaration – sec 31 of the Act – declaration should be in the order of dispatch
- ▶ Sum insured stands reduced gradually to the extent of dispatches declared
- ▶ Policy ceases on expiry date or on exhaustion of the total sum insured whichever shall first occur
- ▶ Limit per bottom and limit per location clearly specified
- ▶ Basis of valuation specified
- ▶ Rate of premium and terms of cover agreed in advance and remained unchanged throughout the policy period
- ▶ Provide for inspection of insured's records
- ▶ Subject to cancellation with 30 days notice

OPEN POLICY



- ▶ SDP is form of floating policy to clients having large turnover and frequent inland dispatches – minimum turnover stipulated is Rs. 2 crores– accepted on the basis of completed proposal
- ▶ Can not be assignable or transferable but claim can be settled in favour of consignee with consent of the insured
- ▶ Sum insured shall be on the basis of previous year's turnover or estimated annual turnover
- ▶ Entire premium charged on the total turnover/sum insured is collected in advance – discount in premium up to a maximum of 50% is allowed on slab system based on turnover
- ▶ Issued for a period of one year – ceases on expiry date of the policy or on exhaustion of sum insured whichever shall first occur – mid term enhancement of sum insured can be allowed twice to any extent – on exhaustion revised sum insured, the insured so desire to continue the policy on the basis of open policy but without any discount
- ▶ Basis of valuation specified i.e., CIF + 10%
- ▶ Mid term reduction in the sum insured is not permitted
- ▶ Policy is subject to bonus and malus to keep the loss ratio at a particular level
- ▶ Dispatches to be declared periodically and the final premium is adjustable downward
- ▶ Limit per bottom and limit per location specified
- ▶ Cancellation is subject to 30 days notice

SPECIAL DECLARATION POLICY

Accurate Risk Managers & Insurance Brokers Pvt. Ltd.



- ▶ Issued for 12 months period
- ▶ only to cover transport of goods belonging to or held in trust by the insured amongst depots owned or hired by the insured within the country
- ▶ The sum insured should represent estimated annual turnover – premium depends on distance and single carrying limit e.g. < 80 km twice SCL or 1% of T/o; >80 Km and <500 Km 4 times SCL or 2% of T/o >500 km 6 times SCL or 3% of T/o – the rate of premium is charged on these limits only and not on the total turnover
- ▶ Policy is subject to condition of average
- ▶ Policy is not assignable or transferable – no contract of afrieghtment is necessary
- ▶ Accepted on the basis of completed proposal
- ▶ Reinstatement of sum insured upon payment of claim is permitted
- ▶ Basis of valuation should be prime cost plus expenses incidental to transit

ANNUAL POLICY



- ▶ To provide continuous, automatic and guaranteed coverage to a regular importer or exporter issued for a period of 12 months with out specifying the sum insured – only limit per bottom and limit per location are specified
- ▶ Unstamped document – only an agreement in writing
- ▶ Individual stamped certificate/policy is issued on receipt of shipment details
- ▶ Rate of premium terms and conditions are set out in the open cover and remain unchanged throughout the period
- ▶ Unintentional genuine omission is held covered
- ▶ Subject matter is broadly defined
- ▶ Basis of valuation is specified
- ▶ Cancellation - 30 days for marine & 7/2 days for War & SRCC

OPEN COVER



- ❖ To cover physical loss or damage to consignment sold on FOB and C&F contracts in case the buyer repudiates the sale or fail to honour the shipping documents by reason of total loss of consignment during voyage.
- ❖ Normally combined with the seller's cargo insurance covering the goods from his warehouse until it is loaded onto the ship. When it is done so, the cover attaches during transit from warehouse to ship and gets suspended after loading on to the ship. The cover reattaches with retrospective effect when the above contingencies takes place.
- ❖ Consequent expenses on storage and transshipment are not covered.
- ❖ Claim recoverable under ECGC of India is also not payable.
- ❖ Existence of such policies should be made more secretive to avoid possible misuse.
- ❖ The insured's status and the moral hazard are the prime factors for the acceptance of the proposal.

SELLER'S INTEREST CONTIGENCY



- ▶ Insurance is on increased value of the cargo by reason of payment of custom duty at destination.
- ▶ Insurance is on increased value by reason of market value of goods at destination on the date of landing
- ▶ Not on agreed value policy and pays for only pure indemnity.
- ▶ Can be issued only when there is a basic CIF Insurance
- ▶ Issued in favour of persons holding import license or any other persons in whose favour the import license is officially endorsed.
- ▶ The scope and duration are identical to the CIF Insurances.
- ▶ In case of duty insurance a fraction of rate of premium of CIF insurance is charged and in case of increased value 100% rate of premium is charged.
- ▶ Claim is admissible only when claims under CIF policies admitted.
- ▶ Cannot be issued after arrival of the vessel at destination.
- ▶ Increased value policy shall not be granted more than CIF value or established market value or controlled prices of commodity concerned.

DUTY & INCREASED VALUE POLICY



- ▶ Intend to provide insurance cover to ship owners' for their various insurable interest

HULL INSURANCE

Accurate Risk Managers & Insurance Brokers Pvt. Ltd.



1. Hull & Machinery
2. Freight at risk
3. Disbursement and Increased Value
4. Premium reducing
5. Return of premium
6. Loss of hire
7. Loss of profit
8. Ship repairs
9. Builder's risk
10. Charter's liability

HULL INSURANCE SUBJECT MATTER FOR INSURANCE



SAILENT FEATURES :

- Terms of cover for the marine hull policies are set out in the form of Institute Time Clauses – Hulls
- The variation limiting the hull cover is provided as follows :-
 1. Institute Time Clauses-Hulls-Total Loss, General Average and three-fourths (3/4ths) Collision Liability (1.10.1983)
 2. Institute Time Clauses-Hulls-Total Loss only (including Salvage, Salvage Charges and sue and Labour), 1.10.1983

HULL INSURANCE



3. Institute Time Clauses-Hulls-Disbursements and Increased Value (Total Loss only, including Excess Liabilities), 1.10.1983.

SAILENT EATURES CONTINUED



Indemnity provided for:

1. Total loss of vessel including actual and constructive total loss.
2. Cost of repairing damages – it includes Particular Average and General Average sacrifices.
3. Unrepaired damage – allowance for depreciation in the value on expiry provided the ship has not become a total loss during the police period.
4. Sue and labour expenses
5. Salvage Charges
6. General Average Contribution
7. 3/4th Collision Liability

ITC-HULLS, 1.10.83

Accurate Risk Managers & Insurance Brokers Pvt. Ltd.



Uncontrollable :-

- Perils of the seas, rivers, lakes or other navigable waters;
- Fire, explosion;
- Violent theft by persons outside the vessel;
- Jettison;
- Piracy;
- Breakdown of or accident to nuclear installations or reactors;
- Contact with aircraft or similar object, or objects falling there from, land conveyance, dock or harbour equipment or installation;
- Earthquake, volcanic eruption or lightning.

PERILS COVERED

Accurate Risk Managers & Insurance Brokers Pvt. Ltd.



Controllable

- Accidents in loading, discharging or shifting cargo or fuel;
- Bursting of boilers, breakage of shafts or any latent defect in the machinery or hull;
- Negligence of master, officers, crew or pilots;
- Negligence of repairers or charterers, provided such repairers or charterers are not the assured under the policy;
- Barratry of master, officers or crew – provided such loss/damage has not resulted from want of due diligence by the assured, owners or managers.

PERILS COVERED CONTD..



Other Perils :-

- ▶ Pollution Hazards provides cover if the vessel is damaged by deliberate action by govt. authorities following casualty covered under the policy to avoid pollution.
- ▶ $\frac{3}{4}$ th Collision Liability

PERILS COVERED CONTD..



1. Loss/damage to any other vessel or property on any other vessel;
2. Delay to or loss of use of any such other vessel or property thereon;
3. General Average of, salvage of, or salvage under contract of, any such other vessel or property thereon;

PERILS COVERED CONTD.. 3/4TH COLLISION LIABILITY



- ▶ On change of classification
- ▶ Change, suspension, discontinuance, withdrawal or expiry of class of the vessel.
- ▶ Change of ownership or flag
- ▶ Transfer of management
- ▶ Change of charter on bareboat basis
- ▶ Requisition for title or use of the vessel - 15 days cover provided for regularisation

TERMINATION CLAUSE



- ▶ Collision bulk head
- ▶ Propulsion
- ▶ Engine particulars
- ▶ Capacity of fuel tank
- ▶ FEA
- ▶ Valuation
- ▶ Classification
- ▶ Registration
- ▶ Pre Insurance Survey
- ▶ Trading warranty
- ▶ Claims experience
- ▶ Cover required
- ▶ Moral hazard
- ▶ Type of vessel
- ▶ Construction
- ▶ Name of builder
- ▶ Year of make
- ▶ Age of the vessel
- ▶ Tonnage (GRT and DWT)
- ▶ Single/Double bottom
- ▶ Single/Twin engines
- ▶ Flag
- ▶ Trade
- ▶ Singleton/fleet
- ▶ Management of vessel
- ▶ Prevailing repair cost

UNDERWRITING CONSIDERATIONS



- ▶ Association of ship owners for mutual benefit with separate legal entity managed by board of directors and full time employees.
- ▶ Financed by initial premium paid by members. Additional requirements are paid by members on calls.
- ▶ Provide protection to its members towards
 1. Statutory obligation towards master and crew members as provided by Mercantile Shipping Act.
 2. Contractual liabilities towards cargo owners as per provided in the bill of lading.
 3. 1/4th Collision Liability
 4. Cost incurred towards removal of wreck from the harbour/port
 5. Damage towards jetties, wharves etc and other properties of the port authorities.

PROTECTION & INDEMNITY COVER



Contact Us



F-1, Bora Landmark, Lane No. 10, Paud Road, Krishna Colony, Paramhan • Pune, Maharashtra 411038 • India



+91 97655 51600



prashant.n@accurateinsurance.co.in



www accurateriskmanagers.com



WISH YOU ALL THE BEST

THANK YOU