Shipping Insurance

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Background of Insurance

- 1688

Sailors met at Lloyds coffee-house, discussed shipping insurance. Lloyd passed away, insurance began.

- 1696

Shipping Gazette launched. Centre of shipping insurance.

- 1820

Act passed; Marine Insurance was founded in Britain.

- 1917

Advisory Insurance committee appointed advising the Shipping board on all questions of marine, war risk, and Protection insurance, and to superintend the operation of an insurance fund.

- Today

50,000 merchant ships internationally
Over 150 registered nations
Carries 90% of world-trade

Reasons for Insurance

- Legality
- Financial
- Pollution
- 3rd parties
- Stowaways
- Dangerous goods
- War
- Piracy; Gulf of Aden, Somalia
- Acts of God

QuickTime™ and a
decompressor
are needed to see this picture.

Marine Insurance VOCAB

ACT OF GOD: natural occurrence such as typhoon.

ACCIDENTS: events that are not deliberately caused by the insured and that are not inevitable

AVERAGE: In Marine insurance, ‘average’ means loss and ‘particular average’ means partial loss.

CERTIFICATE OF INSURANCE: a document issued on behalf of an insurance company covering a specific shipment.

AGENT: individual who sells and services insurance policies.

COMMISSION: Fee paid to an agent or insurance salesperson as a percentage of the policy premium.

REINSURANCE: In effect, insurance that an insurance company buys for its own protection.

BROKER: A licensed person or organization paid by you to look for insurance on your behalf.

The Marine Insurance Act 1906 is a UK Act of Parliament regulating marine insurance

Was drafted by Sir Mackenzie Dalzell Chalmers.

This law does not only affect the english govern their rules have to obeyed worldwide.

The Act applies not only to"commercial" marine insurance, but also to *Protection and indemnity insurance*.

This 100 years old Act is reaching the end of its life, and is expected to be reenacted by about 2012.

SEVERAL TYPES OF SPECIALIST POLICY

NEWBUILDING RISKS: cover the risk of damage to the hull whilst it is under construction.

YACHT INSURANCE: liability coverage. Smaller vessels are typically underwritten on a 'binding authority'.

WAR RISKS: an attack would be covered for this type of policy if is classified as a “riot”.

INCREASED VALUE*:* protect the ship owner against any difference between insured value of the vessel and market value.

CARGO INSURANCE*:* is a “sub-branch” of marine insurance with coverage on an A, B, or C basis, A having the best cover and C the most restricted.

MARINE CARGO INSURANCE covers physical damage or loss of merchandise transported by sea, land or air.

The coverage of the products can be:

- *All risks:* it covers physical damage or loss of the goods and partial damage for any external theft or catastrophe.
- *Total loss cargo insurance:* it covers against total loss or physical damages.

The companies sending their products to expect that they arrive at destination’s port in perfect conditions, they spending money in carriers that assume the responsibility of transportation and careful of goods.

Parties Involved

- **Carrier**- a transport company that ships a product for the general public
- **Charter**- finds the right carrier for the customer
- **Consignee**- the party who the shipment is being delivered to
- **Consignor**- the party sending the shipment

The Carrier

- A common Carrier serves the general public
- These are the main shipping companies

- They own the ships and thus the Marine Insurance for their vessels
- Examples include Hapag-Lloyd and one of the oldest Maersk

The **Charter**

- A basic **voyage charter** is hiring a vessel for a voyage between a load port and a discharge port.
- The Charter does the actual hiring and renting of a vessel and crew. In some cases they own the actual cargo.

The **consignee**

- In a contract, the **consignee** is the person to whom the shipment is to be delivered to.

- The Bill of Lading require the good to be delivered to the named consignee.

The **Consignor**

- Is the person sending a shipment to be delivered.
- Some carriers, use the term "sender" or "shipper” however the legal term is "consignor”

Bill of Lading

- Document issued by carrier/agent to the shipper as a contract for the shipping of goods.

- Contains:- Port of departure and arrival
  - name of ship
  - departure and arrival dates
  - itemised list of goods being shipped
  - cargo weight and volume
  - freight weght and amount

A Bill of Lading is required in all claims for compensation for example loss, damage or delay in arrival

Case Study

- Court case in which damage had taken place in both the shipping and land transportation of goods.

- Court ruled that in the event of damage or loss

caused to goods the carrier must state in detail

exactly what has happened to the goods being

shipped, failure to do this will result in it being assumed that the carrier acted with neglect and therefore the carrier may not limit its liability this is more often the case when goods are found not to have been secured correctly.

Claims

- Claims made for loss or damage to goods at sea are governed by the Carriage of Goods At Sea Act
- One of the key points of this is that the shipowner is in charge of the goods from loading to unloading unless under special circumstances covered in one of the 17 acts of liability for example an act of god

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THANKS FOR YOUR ATTENTION.