

JUR5450 - Marine Insurance

Spring 2007

1. Give a presentation and comparison of the rules concerning duty of disclosure in the Norwegian Marine Insurance Plan and The Norwegian Cargo clauses 1995/2004.

2. M/S SANTA loaded a part cargo of scrap metal at Klaipeda on 16 June 2006 and proceeded to load further cargo at Rostock, arriving there on 18 June. Both cargoes were due for discharge in Italy. The cargo from Klaipeda was loaded into hold No 5 of the vessel and the Rostock consignment was loaded on deck and in hold No 3.

Shortly after leaving Rostock an explosion occurred in No 5 cargo hold. The explosion damaged the shell plate in No 5 hold and the engine room bulkhead. The engine room hold flooded. The vessel was damaged but managed to turn back to Rostock as port of distress. Shortly before the vessel arrived at Rostock a further explosion occurred in hold No 5. This explosion, which also started a fire, damaged the shell plate in hold No 3. The consignment from Rostock in hold No 3 and on deck were lost overboard, due to the explosions and the following flooding which caused a permanent list of the ship of about 5 degrees.

However, finally the salvors succeeded to get the ship safely moored at the quay.

The Shipowner of SANTA had arranged insurance for the ship under the Norwegian Marine Insurance Plan 1996 Version 2007. Insurance against marine perils was effected with Marine Insurance Ltd, whereas insurance against war perils was effected with War Insurance Ltd. The Cargo receivers of the Rostock consignment had arranged insurance with the ABC-Insurers under a policy of insurance subject to the Norwegian Cargo Clauses 1995/2004 on B Clauses and Institute War Clause (Cargo). The cover under the Institute War Clause (Cargo) reads:

1 This insurance covers, except as provided in Clauses 3 and 4 below, loss of or damage to the subject-matter insured caused by

1.1 war civil war revolution insurrection, or civil strife arising therefrom, or any hostile act by or against a belligerent power

1.2 capture seizure arrest restraint or detainment, arising from risks covered under 1.1 above, and the consequences thereof or any attempt thereat

1.3 derelict mines torpedoes bombs or other derelict weapons of war.

The exclusions and safety regulations of the Institute War Clause (Cargo) were the same as under the Norwegian Cargo Clauses.

The casualty was reported to the insurers who instructed surveyors to investigate the cause of the explosion. The surveyors established that the cargo loaded at Klaipeda contained obsolete mortar shells, and that the shells had not been handled properly to avoid explosion during the stowage.

The Shipowner of SANTA claimed that the War Insurance was liable for the damages, and that only one deductible should be deducted as there was only one explosion. If the War Insurance was not liable, the damages should be covered by the Marine Insurance subject to one deductible. Both insurers refused the claim. The Marine Insurer invoked that the claim was not covered by the insurance against marine perils, and if it was covered, part of the claim should be attributed to the War insurer. Furthermore, the claim

should be reduced with two deductibles as there were two explosions. The War Insurance similarly claimed that the damages were not covered by the insurance against war perils, and if they were covered, part of the loss should be attributed to the Marine Insurance. Also the War Insurance claimed that two deductibles should be invoked.

Discuss the following questions:

1. Is the claim covered by the insurance against marine perils, the insurance against war perils, or both.
2. How many deductibles shall be applied if:
 - a. The whole loss shall be attributed to the war insurance or the marine insurance
 - b. The loss shall be divided between the two insurers

The Cargo Receiver of the Rostock-consignment submitted claims to their ABC-Insurers for the loss of 3,500 M/T of cargo lost overboard. The ABC-Insurers refused the claim and invoked that the claim was covered neither by the Norwegian Cargo Clauses nor by the Institute War Clauses (Cargo).

Discuss the following questions:

1. Is the claim covered by the Cargo Conditions on B conditions?
2. Is the claim covered by the Institute War Clauses (Cargo)?

Attached: The Insurance Contract Act 1989

All questions shall be answered.