



# Marine insurance, the individual types

Professor Trine-Lise Wilhelmsen  
Scandinavian institute of  
maritime law

## Overview

- o Hull insurance
- o Total loss insurances
- o War insurance
- o Loss of hire insurance
- o P&I insurance
- o Cargo insurance



# Hull insurance



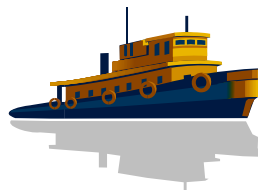
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## 1. Hull insurance

- o What objects are covered
- o Scope of cover; overview
- o Total loss
- o Damage
- o Collision liability



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## 1.1. Objects insured

- o NMIP § 10-1 and 10-2
- o Includes, § 10-1 (1)
  - o (a) hull and machinery
  - o (b) equipment and spare parts
  - o (c) bunker and lubricating oil
- o Does not include, (2)
  - o (a) articles intended for consumption
  - o (c and d) objects for securing cargo/containers

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## 1.2. Scope of cover, overview

- o Narrow or wide scope of cover, § 10-4 to § 10-8
- o Normally on "full conditions"
  - o Total loss - ch 11
  - o Damage - ch 12
  - o Collision liability - ch 13
- o More narrow: sailing to be scrapped



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## 1.3 Total loss

### o Actual total loss , § 11-1

#### o "Actual total loss" =

- o The ship is lost (burnt, stolen, sunk in unknown place)
- o Salvage technically impossible (sunk in deep water)
- o Salvage uneconomical (costs more than ship value)

#### o Impossible to repair =

- o the ship cannot be repaired according to a technical assessment
- o i.e. is no longer the same ship after repair

## 1.3 Total loss

### o Missing/abandoned ship, § 11-7

### o Constructive total loss , § 11-6

- o Ship not worthy of repair
- o According to a cost benefit assessment
- o Detailed rules on the condemnation formula

## Total loss or damage?



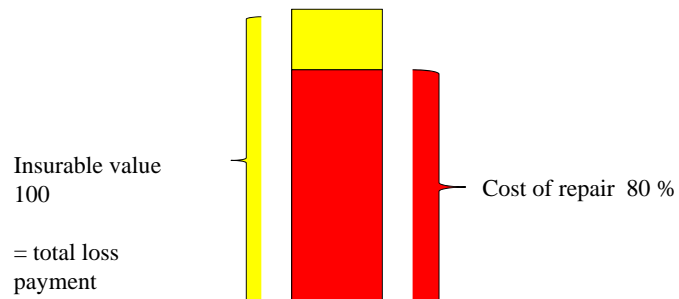
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## 1.3 Constructive total loss

o = cost of repair more than 80 % of insurable value



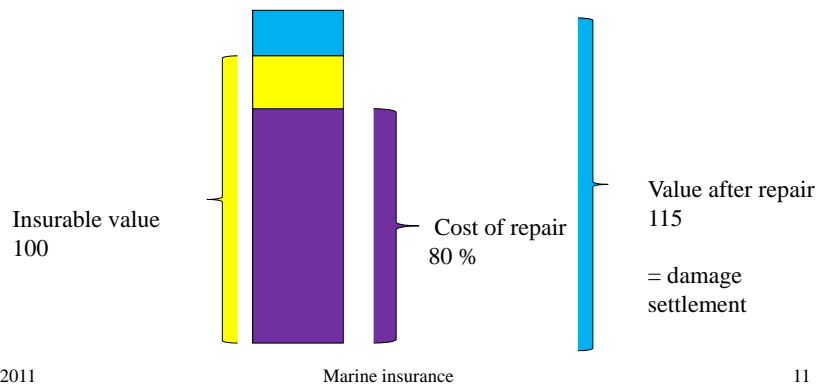
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## 1.3 Constructive total loss

- o = cost of repair more than 80 % of the value of the ship after repair if higher than ins value



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## 1.3 Total loss

- o Formula for condemnation, 11-3 (3 og 4)
  - o Insurable value
  - o Casualty damage, § 11-3 (4)
    - o Damage that triggered the claim
    - o Previous unrepaired damage notified last three years
      - o Includes damage below deductible
      - o But not excluded damage
  - o Cost of repair
    - o All costs of removal and repair
    - o But: Not salvage/compensation for valuedepreciation
  - o Value of the ship after repair = salesvalue

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## 1.4 Damage



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## 1.4 Damage

- o NMIP ch 12
- o Applicable when
  - o Requirements for total loss not fulfilled
  - o Assured does not want to claim total loss
- o Main rule: Cost of restoring the ship to the condition before the damage, § 12-1
- o Payable after repair has taken place
- o But: Cash payment possible, § 12-2

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## 1.4 Damage

- o Losses that are excluded
  - o § 12-3: Inadequate maintenance, wear and tear, corrosion etc
  - o § 12-4: Error in design or material
  - o § 12-5: List of excluded losses
- o The performance of the repair
  - o Survey, § 12-10
  - o Temporary repair, § 12-7
  - o Tender/choice of cheapest yard/removal

## 1.4 Damage

- o The loss of hire element in the damage settlement
- o NMIP § 12-8, § 12-11 and § 12-12



## The conflict of interest



### The insurer wants:

Cheapest possible repair  
which often takes more  
time

### The shipowner wants:

To minimize loss of time in order  
to get the ship back in  
employment



Compromise: Cheapest yard, but some compensation for time lost,  
§ 12-12 (2) : 20 % of insurable pa calculated for the time difference

## 1.4 Damage

- o Deductions
  - o Ice damage, § 12-15
  - o Machinery damage, § 12-16
  - o Deductible, § 12-18
- o In practise: Often one amount including all three provisions

## Collision liability



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## 1.5 Collision liability

- o Outside the scope of hull insurance, but included by tradition
- o NMIP ch 13.
- o § 13-1: "Collision or striking"
  - o Collision = physical contact with other ship
  - o Striking = contact with fixed/floating obj
- o § 13-1 (2): excluded liability
- o § 13-3: Liable up to the sum insured

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## 2. Total loss insurances

- o Addition to the hull insurance mainly applicable in a total loss situation
- o Divided in two
  - o Hull interest
  - o Freight interest
- o Presumes that ordinary hull insurance does not cover the total loss risk for
  - o The value of the ship
  - o The income of the ship

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## 2.1 Hull interest

- o NMIP § 14-1
- o Reason:
  - o Hull insurable value = assessed
  - o Can be lower than full market value
  - o The difference covered by hull interest
  - o The result: lower premium for total loss risk

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## 2.1 Hull interest

- o Cover:
  - o Total loss
  - o Collision liability exceeding the sum insured for this liability
  - o Two sums available
- o Limitation, § 14-4
  - o Max 25 % of assessed hull value
  - o Point: To avoid transfer of risk from hull to hull interest

## 2 Freight interest

- o NMIP § 14-2
  - o Covers loss of income in case of total loss
  - o Future income reflected in market value
  - o But: corresponds to the part of market value that is not covered by the assessed value
  - o Only total loss
- o § 14-4: limitation 25 %

## 3 War insurance



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## 3 War insurance

- o Introduction
- o Scope and termination
- o Total loss
- o Damage
- o Loss of time
- o Owners liability
- o Occupational injury

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## 3.1 Introduction

- o Hull insurance divided in insurance against marine and war perils
- o War insurance provided in ch 15
- o Combines several interests, § 15-2.
- o Includes general conditions and special conditions for Norwegian War Risk Ass.

## 3.2 Scope and termination

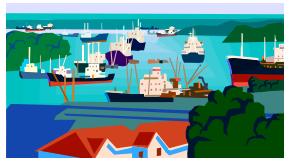
- o Scope
  - o War risk perils as defined in § 2-9, cf. § 15-1 (1)
  - o Extended to certain marine perils (2)
  - o Further extended if covered in WRA
- o Automatic termination
  - o War between major powers, § 15-5
  - o Nuclear war, § 15-6
  - o But protected if covered in WRA, § 15-26

## 3.3 Total loss

- o Special rules in addition to ch 11, § 15-10-§ 15-13
  - o Deprived of ship by foreign state power or pirates and not recovered in 12 months
  - o Prevented from leaving port for more than 12 months
  - o Deprived of income for more than 6 months due to insurers order

## Total loss

- o NMIP § 15-12 Blocking an trapping:  
If the **ship is prevented from leaving a port or a similar limited area due to blocking**, the assured may claim for a total loss, if the relevant obstruction has not ceased within twelve months after the day it occurred.



## 3.4 Damage/Loss of hire

- o Damage:
  - o Ordinary regulation
  - o But: Full cover for both repair invoice and loss of time if assured selects the alternative with lowest total costs, § 15-14
- o Loss of time
  - o Ordinary regulation
  - o But: Extended cover for blocking and trapping

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## 5 Loss of hire

- o Cover loss of income
- o NMIP ch 16
- o Limited scope:
  - o Main rule: tied to damage covered under hull insurance, § 16-1
  - o But some added situations, see (2)
  - o Total loss not covered
- o Calculation of loss
  - o Deprived of income due to damage
  - o 16-3: time lost and daily income



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## 6 P&I insurance

- o Protection and indemnity
- o Skuld and Gard
- o The mutual aspect
- o The International Group

## 6. P&I insurance, cover

- o Ship owners liability through indemnity
- o Only listed liability, not general
- o Only legal liability, not ex gratia payment
- o Both contractual and tort liability
- o But; only in direct connection with the running of the ship.
- o With no sum insured

## 6 P&I insurance, personal damage

- o To crew, GR 27
- o Passengers (28)
  - o Illnes
  - o Death
  - o delay
- o Other individuals onboard (29)
- o Persons not onboard (30)

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## 6. P&I insurance, cargo

- o Cover:
  - o Loss of/damage to cargo
    - o on ship, GR 34 (1) a
    - o On other mode of transport, GR 34 (1) b
  - o Delay if liability regulated in mandatory law, GR 34 (2)
  - o Cost of unloading because the ship is damaged, GR 35
- o But: Several exclusions

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## 6 P&I insurance, other liability

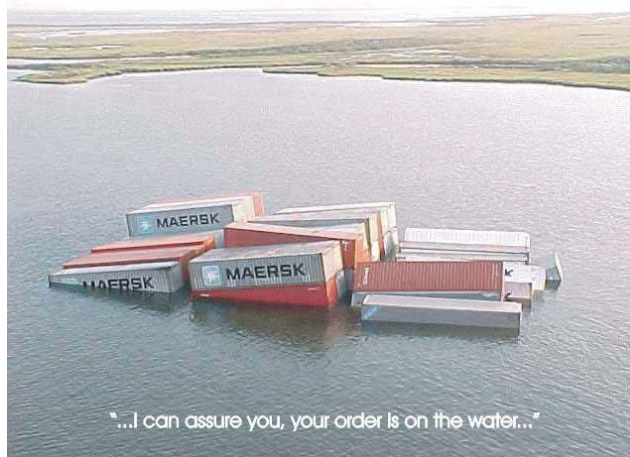
- o Collision and striking
  - o Gr 36 and 37 a
  - o If not covered by NMIP ch 13
- o Pollution, GR 38, cover liability for
  - o Actual losses
  - o Expences
  - o Fines
- o Other

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## 7 Cargo insurance



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## 7 Cargo insurance

- o Property damage covering
  - o Total loss
  - o Shortage
  - o Damage
  - o Salvage measures
- o Does not cover
  - o Liability
  - o General economic loss

## 7 Cargo insurance

- o Beneficiary, CICC § 9
  - o Person effecting the insurance
    - o Seller in case of CIF
    - o Buyer in case of FOB
    - o Freight forwarder = seller's man
  - o Subsequent owners
  - o But: Not seller under FOB sale

## 7 Cargo insurance

- o Total loss, CICG § 35, when
  - o Entire consignment destroyed
  - o Deprived with no possibility of retrieval
  - o Transport abandoned
  - o Constructive total loss
- o Shortage, § 36, total loss to part
- o Damage
  - o Insurer may decide to repair, § 37
  - o Other wise: cash payment

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Thank you for your attention!



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