Marine insurance, the individual types

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Overview

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

- What objects are covered
- Scope of cover; overview
- Total loss
- Damage
- Collision liability
1.1. Objects insured

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

1.2. Scope of cover, overview

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

- Actual total loss, § 11-1
  - “Actual total loss” =
    - The ship is lost (burnt, stolen, sunk in unknown place)
    - Salvage technically impossible (sunk in deep water)
    - Salvage uneconomical (costs more than ship value)
  - Impossible to repair =
    - the ship cannot be repaired according to a technical assessment
    - i.e. is no longer the same ship after repair

- Missing/abandoned ship, § 11-7
- Constructive total loss, § 11-6
  - Ship not worthy of repair
  - According to a cost benefit assessment
  - Detailed rules on the condemnation formula
Total loss or damage?

1.3 Constructive total loss

\[ o = \text{cost of repair more than 80\% of insurable value} \]

Insurable value 100

= total loss payment

Cost of repair 80\%
1.3 Constructive total loss

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

![Diagram showing the calculation of constructive total loss]

1.3 Total loss

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

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

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

- The loss of hire element in the damage settlement
- 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

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

1.4 Damage

- Deductions
  - Ice damage, § 12-15
  - Machinery damage, § 12-16
  - Deductible, § 12-18

- In practise: Often one amount including all three provisions
1.5 Collision liability

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

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

2.1 Hull interest

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

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

2 Freight interest

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

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

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

3.2 Scope and termination

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

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

Total loss

- 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

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

- **Loss of time**
  - Ordinary regulation
  - But: Extended cover for blocking and trapping

5 Loss of hire

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

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

6. P&I insurance, cover

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

- To crew, GR 27
- Passengers (28)
  - Illness
  - Death
  - Delay
- Other individuals onboard (29)
- Persons not onboard (30)

6. P&I insurance, cargo

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

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

7 Cargo insurance

"...I can assure you your order is on the water..."
7 Cargo insurance

- Property damage covering
  - Total loss
  - Shortage
  - Damage
  - Salvage measures

- Does not cover
  - Liability
  - General economic loss

Beneficiary, CICG § 9

- Person effecting the insurance
  - Seller in case of CIF
  - Buyer in case of FOB
  - Freight forwarder = sellers man

- Subsequent owners
  - But: Not seller under FOB sale
7 Cargo insurance

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

Thank you for your attention!