



Marine insurance law

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Outline

- o The main types of marine insurance
- o The legal sources in marine insurance (in general)
- o The insurance contract (NMIP)
- o Insurable interest, insurable value and the sum insured (NMIP)
- o Scope of cover (NMIP)
- o Duty of disclosure and due care (NMIP)

1. The main types of marine insurance

- o Insurance related to ships
- o Insurance of goods under transport
- o Some other distinctions



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1.1. Insurance related to ships

- o Three main insurances:
 - o Hull insurance
 - o Loss of income
 - o Liability
- o The main difference:
 - o What interests are insured
 - o Calculation of compensation



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Insurance related to ships



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1.1.1 Hull insurance

- o Damage to/loss of property
- o Element of liability
- o Element of loss of income
- o Divided into two:
 - o Hull insurance
 - o Hull interest insurance: only total loss and liability



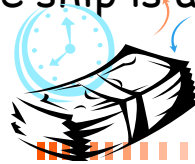
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1.1.2 Loss of income

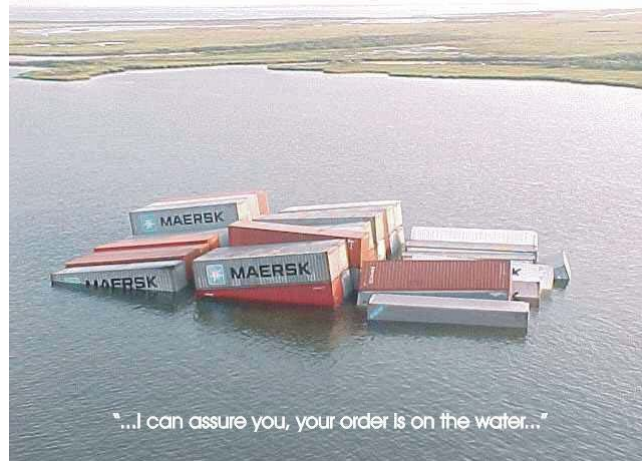
- o The covered interest: income derived from the ship:
- o Different types:
 - o Loss of hire: only if the ship is damaged
 - o But also some cover under hull insurance
- o Freight interest: only if the ship is a total loss



1.1.3 Liability insurances

- o Covering ship-owners' third party liability
- o Main liability insurance: P&I insurance
- o Hull/hull interest insurance cover part of the collision liability

Insurance related to goods



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1.2 Insurance of goods under transport

- o Covers cargo under transport from A to B (normally seller to buyer)
- o Casualty (damage and loss) insurance
- o Includes owner's profit
- o But not
 - o Loss of income in general
 - o Owner's liability

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1.3 Some other distinctions of relevance

- o Marine/civil risks vs war risks
 - o Two different insurances
 - o General division
- o Primary insurance - coverage for costs of saving acts
 - o Primary insurance: coverage of casualties
 - o Costs of saving acts: covers expenses

2 The legal sources

- o Insurance Contract Act (ICA) 1989
- o The Norwegian Marine Insurance Plan (NMIP) 1996
- o The Norwegian Cargo Clauses (CICG) 2004
- o The Gard and Skuld P&I conditions 2011

2.1 Insurance Contract Act (ICA) 1989

- o Starting point: Mandatory, § 1-3
- o But:
 - o Insurance of registered ships, § 1-3 (c)
 - o Insurance of cargo under an international transport, § 1-3 (e)
- o In practice: All cargo insurances follow the rules in ICA, with certain exceptions

2.2 Norwegian Marine Insurance Plan (NMIP) 1996

- o Standard contract (Agreed document)
- o Developed over 135 years
- o By Interested parties from both sides
- o Covers most of the relevant insurances for a shipowner (not P&I)
- o Extensive preparatory documents
- o Updated every third year (new versions)
- o Departs from ICA

2.3 Norwegian Cargo Clauses (CICG) 2004

- o Conditions relating to insurance for the carriage of goods (CICG)
- o Many of the same characteristics as NMIP
- o But:
 - o Less extensive commentaries
 - o A stronger tie to the ICA

2.4 The P&I Conditions

- o Included in NMIP 1964, but not in NMIP 1996
- o Today: Each P&I club has its own conditions (in Norway: *Gard and Skuld*, in Sweden: *The Swedish Club*)
- o The most important clubs members of *The International Group*

3. The insurance contract

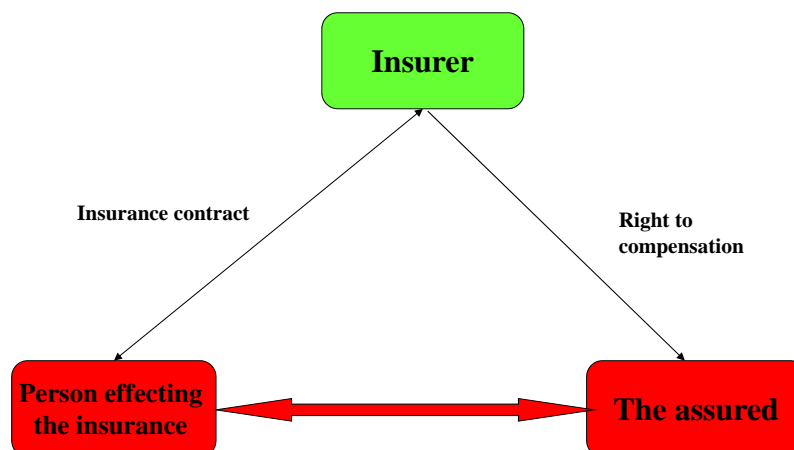
- o The parties to the insurance contract
 - o Definitions, NMIP § 1-1
 - o The insurers
 - o The person effecting the insurance
 - o The assured
 - o The insurer
 - o Coinsurance /claims leader (NMIP ch 9)
 - o Reinsurance
 - o The assured: third party interest

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The parties to the contract

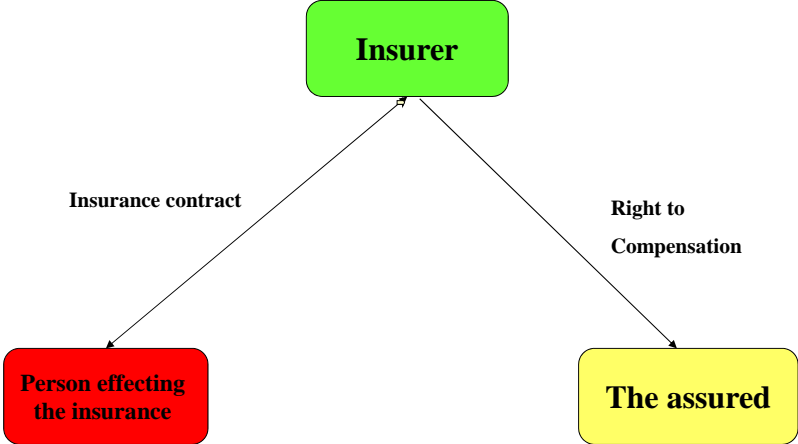


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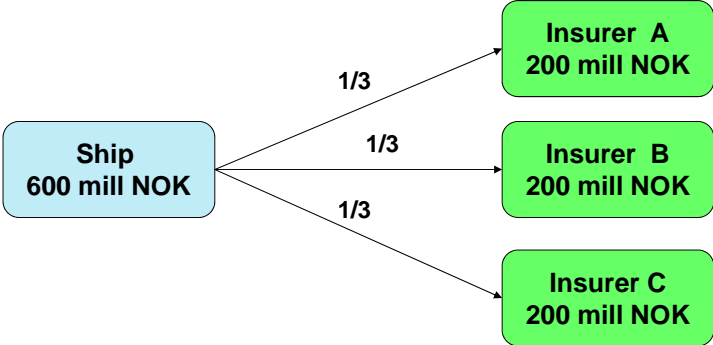
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Policy holder and the assured



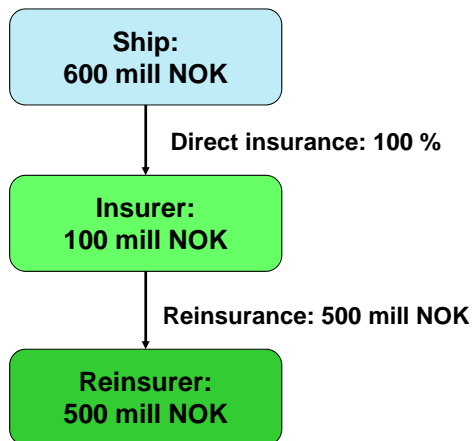
Co insurance

→ Partial insurance with more than one insurer



Reinsurance

→ The insurer reinsures the risk undertaken under the direct insurance contract.

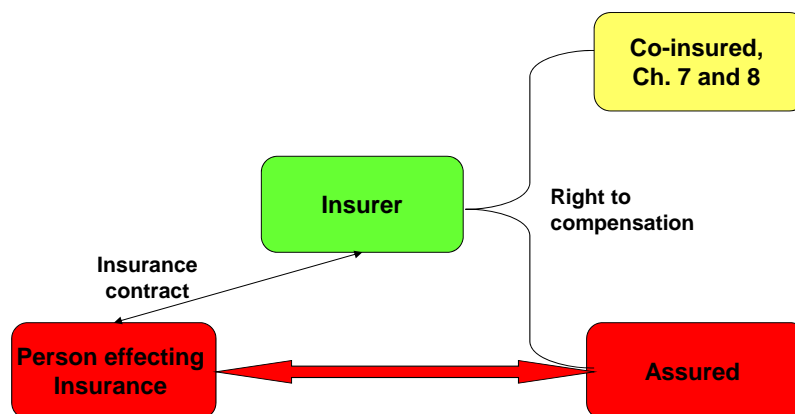


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Insurance of third party interest, NMIP



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The insurance contract

- o Concluding the marine insurance contract
 - o NMIP § 1-2: Written proof of insurance
 - o The use of a broker: NMIP § 1-3
- o Jurisdiction /choice of law NMIP § 1-4
 - o Norwegian jurisdiction
 - o Norwegian background law

4. Insurable value and the sum insured

- o Insurable value:
 - o Starting point: What is the value of the interest
 - o Open insurable value, § 2-2
 - o Assessed insurable value, § 2-3
- o Sum insured
 - o Starting point: Which sum is chosen
 - o Three times the sum insured, § 4-18

5. Scope of cover

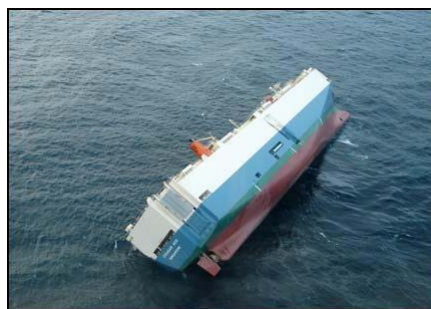
- o Terminology
- o Perils insured against in marine insurance
- o The losses covered
- o Causation

Terminologi

The casualty

Perils insured

Heavy weather
Theft
Leakage
Fire
Etc



Losses covered

Damage
Total loss
Collision liability
Loss of time
Etc

Causation

Causation

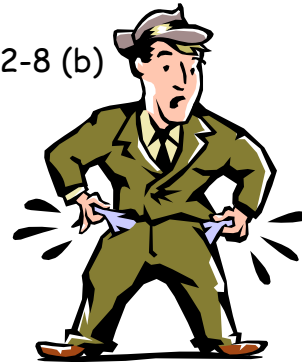
5 Scope of cover

- o Perils insured against; Marine perils
 - o All risks principle: NMIP § 2-8
 - o Exceptions:
 - o War perils, NMIP § 2-8 (a)
 - o Intervention by state power, § 2-8 (b)
 - o Insolvency, § 2-8 (c)
 - o RACE II, § 2-8 (d)



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5 Scope of cover

- o War insurance, NMIP § 2-9
 - o Named perils principle:
 - o War or warlike conditions
 - o Capture/confiscation etc
 - o Riots, strikes, sabotage, terrorism etc
 - o Piracy and mutiny
 - o Common exceptions, see above



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5 Scope of cover

- o Losses covered: Few general rules
- o Causation - combination of causes, NMIP
 - o § 2-13: The main rule
 - o § 2-14: Combination of war and marine perils
 - o § 2-11: Combination of perils over different insurance periods

The main rule, NMIP § 2-13

- o If the loss has been caused by a combination of different perils, and one or more of these perils are not covered by the insurance, **the loss shall be apportioned over the individual perils according to the influence each of them must be assumed to have had on the occurrence and extent of the loss**, and the insurer shall only be liable for that part of the loss which is attributable to the perils covered by the insurance.

Combination of marine and war

- o If the loss has been caused by a combination of marine perils, cf. § 2-8, and war perils, cf. § 2-9, **the whole loss shall be deemed to have been caused by the class of perils which was the dominant cause**. If neither of the classes of perils is considered dominant, both shall be **deemed to have had equal influence** on the occurrence and extent of the loss.

NMIP § 2-11

The insurer is liable for loss occurred when the interest insured is **struck by an insured peril** during the insurance period.

A defect or damage which is unknown at the inception or on expiry of an insurance, **shall be deemed to be a marine peril which strikes the ship at the time the casualty or damage to other parts occurs**, or at such earlier time as the defect or the first damage became known.

6 Duty of disclosure and due care

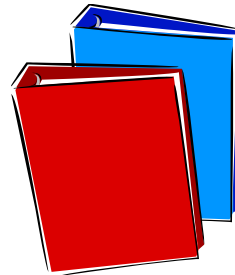
- o Duty of disclosure, NMIP § 3-1 ff
 - o The extent: Active
 - o The time: When entering the contract
 - o Who: the person effecting the insurance
- o Sanction in case of breach depends on
 - o Degree of fault
 - o Causation

6. Duty of disclosure and due care

- o Alteration of risk,
 - o General regulation, NMIP § 3-8 to 3-13
 - o Conforms as a main rule to § 3-1 ff
 - o Less practical significance
 - o Special regulation, § 3-14 to § 3-21.
 - o Loss of class
 - o Trading area
 - o Illegal entity
 - o Change of ownership

6. Duty of disclosure and due care

- o Safety regulation, NMIP § 3-22, § 3-25
 - o The concept
 - o Knowledge
 - o Causation
 - o Burden of proof
 - o Special regulation



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6 Duties of disclosure and due care

- o Casualties caused by the assured
 - o Deliberation
 - o No liability, § 3-32
 - o Cancellation, § 3-34
 - o Gross negligence
 - o § 3-33, reduction of liability
 - o Cancellation, § 3-34
 - o Ordinary negligence, full liability
 - o Notification and salvage measures



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8 Identification, Overview

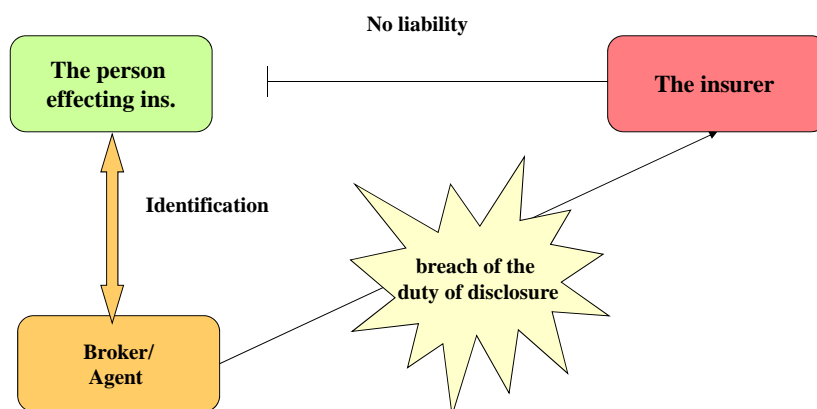
- o The issue of identification
- o The need for rules
- o The problems:
 - o the person effecting insurance and his helpers
 - o the assured and his helpers
 - o the assured and the person effecting the insurance
 - o the assured and co-insured/co-owner

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Identification between person effecting the insurance and his helpers

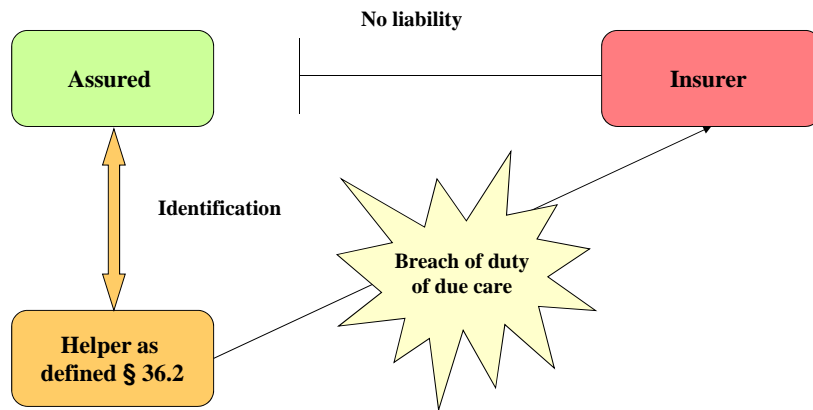


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BETWEEN THE ASSURED AND HIS HELPERS

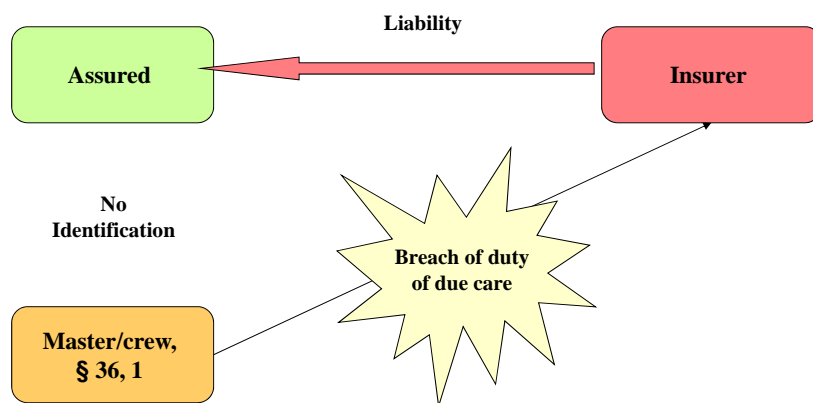


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THE ASSURED AND HIS HELPERS

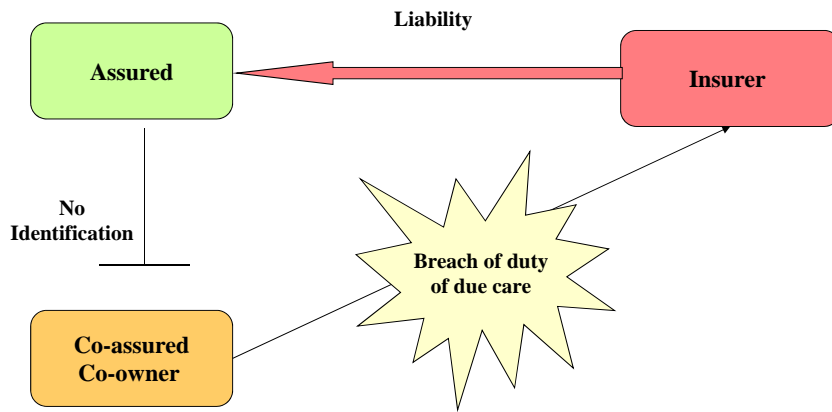


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Assured and co assured/co owner

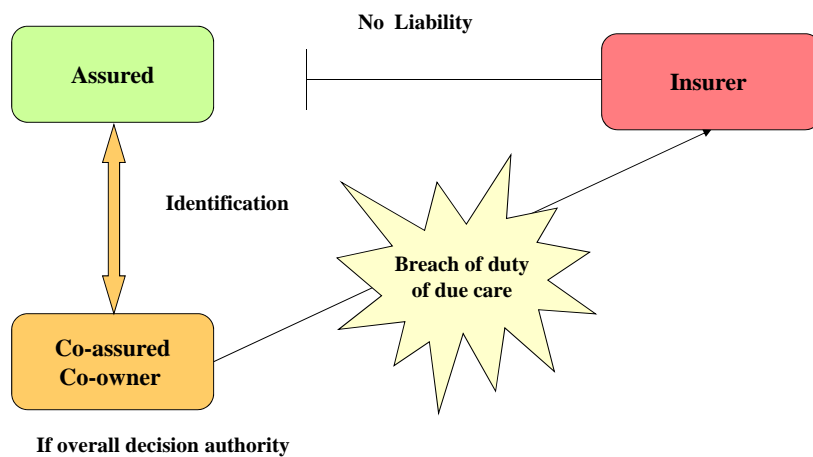


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Assured and co assured/co owner

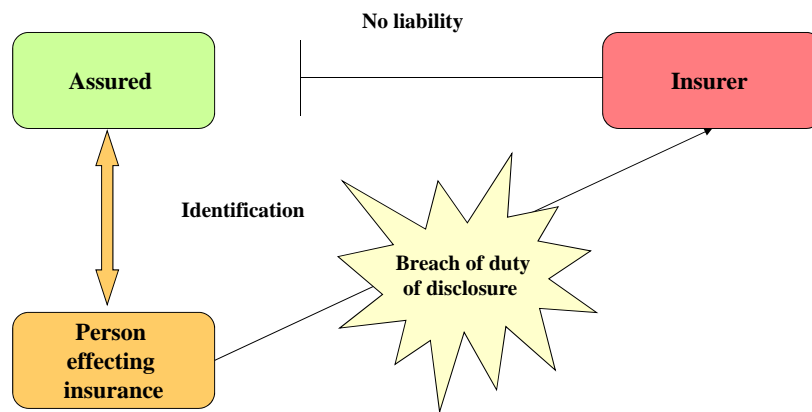


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the assured and the person effecting insurance



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