



Cargo insurance

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Overview

- What is cargo insurance
- The legal sources
- The insurance contract
- Insurable value and the sum insured
- Scope of cover
- Duties of disclosure and due care

Overview

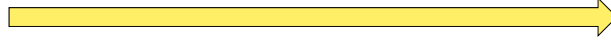
- The period of insurance
- The liability of the insurer

1. What is cargo insurance

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

Cargo insurance

Contract of sale



Insurance
Loss
Damage



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Cargo insurance

Contract of sale - transfer of risk



Insurance
Loss
Damage
income



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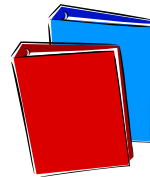
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2 The legal sources

- FAL (ICA) 1989



- The Norwegian Cargo Clauses



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2.1 FAL (ICA) 1989

- Starting point: Mandatory, § 1-3.1
- But: not for international transport of cargo, § 1-3.2 (e)
- Applies to national transport of cargo
- The approach in the CICG:
 - Follows ICA
 - with certain special rules for international transport

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2.2 Norwegian Cargo Clauses (CICG)

- Conditions relating to insurance for the carriage of goods
- Many of the same characteristics as NMIP
- But
 - Less extensive commentaries
 - A stronger connection to the ICA

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3. The insurance contract

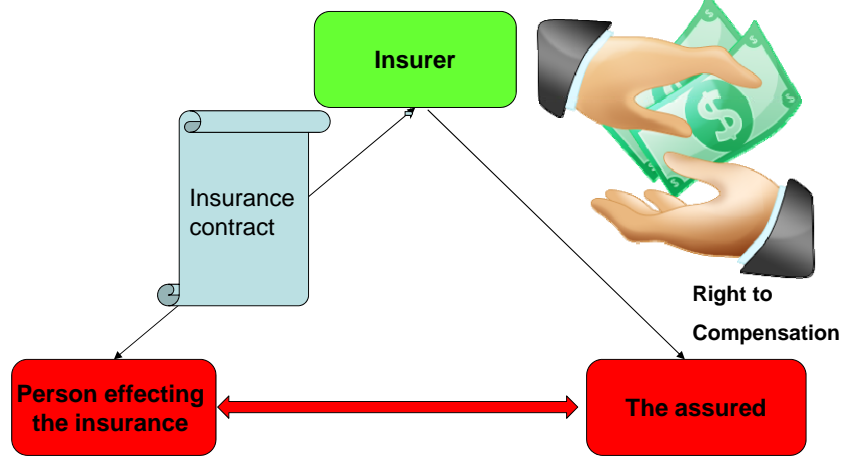
- The parties to the insurance contract
- Interests covered by the insurance
- Effecting the contract

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3.1 The parties to the contract

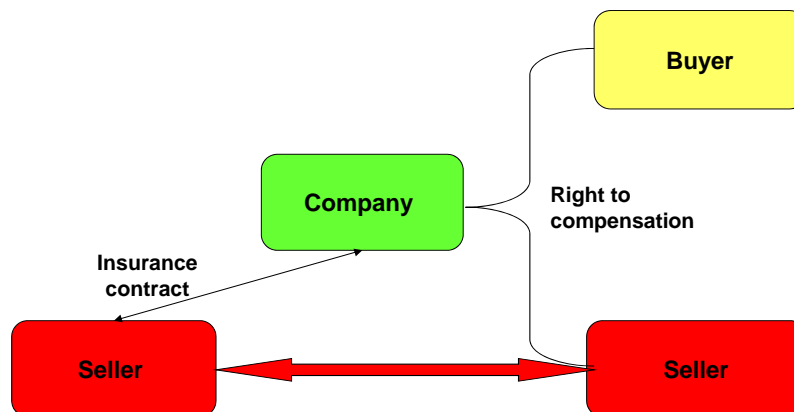


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Insurance of third party interest, CICG § 9



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3.2 Concluding the Contract

- Insurance certificate, ICA § 2-2
- Insurance document , CIG § 1 nr. 4
 - Single shipment = Insurance certificate
 - Open cover/floating policies =
 - certificate for the whole period
 - + document for each shipment

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4 Insurable value and sum insured

- Insurable value, CIG §29
- Sum insured
- Under-insurance, CIG § 30
- Over-insurance, CIG § 31
- Limit; CIG §§ 32-33:
 - Sum insured for casualties, § 32
 - + losses according to §§ 39-43, i.e. salvage measures etc.
 - + interest according to § 49

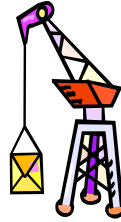
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Insurable value, § 29

Buyer and seller:
Market value at place
of loading



Buyer:
+ charges
+ customs
+ insurance premium
+ freight
+ profit



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5. Perils insured against

- o Three levels for coverage
 - o The all risks principle, CICG § 3
 - o Limited cover § 5: 5 named perils
 - o Limited cover § 4: 5+4 named perils
- o Similar approach in other systems
- o Common exclusions for all levels

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5. The exclusions

- § 17 and 19: Deck cargo/temperature
- § 18: Risks excluded
 - Inherent nature/ordinary loss weight and volume (1 and 2)
 - War/intervention by State power/nuclear/biochem (3, 6-11)
 - Unlawful interest (4)
 - Delay (5)

6. Duty of disclosure and due care

- Introduction
- Duty of disclosure
- Safety regulations
- Identification

6.1 Introduction

- Follows ICA
- But:
 - Stricter safety-regulation for international transport
 - Suspension of insurance in case of delay

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6.2 Duty of disclosure

- The rules:
 - ICA § 4-1 ff,
 - CIG § 12, 13, 56 and 56
- The problems:
 - What and who
 - When
 - Sanctions

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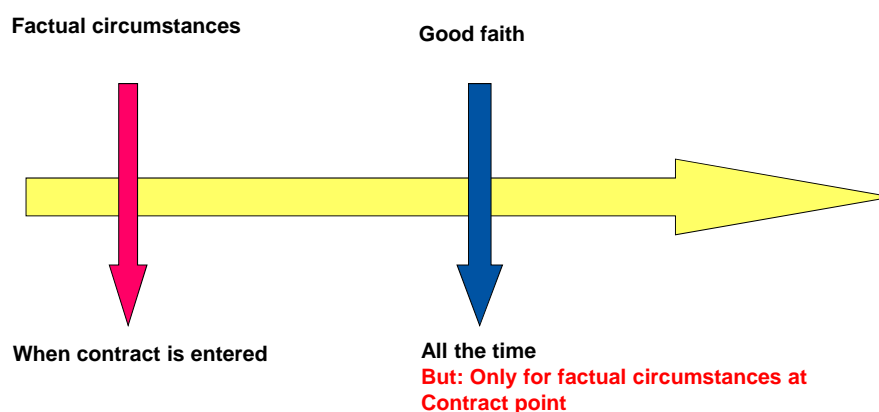
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6.2.1 What and who

- What: CICG § 12/ICA § 4-1:
 - Answering questions (Passive duty of disclosure)
- Who:
 - CICG § 12/ICA § 4-1: person effecting the insurance
 - CICG § 13: the assured

6.2.2 When: time of the duty of disclosure



6.2.3 Sanctions

- Fraud, ICA § 4-2 and § 4-3:
 - No liability, ICA § 4-2
 - Termination, ICA § 4-3, CICG § 56
- More than a little to blame
 - Reduced liability, ICA § 4-2
 - Cancellation, 14 days notice, ICA § 4-3, CICG § 57
- Less to blame: Cancellation only

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6.3 Safety regulation

- Concept; National transport: § 21.1.1:
 - § 22 - unsuitable means of transport
 - § 23 - marking and packing of goods
 - § 24 - Goods carried in thermo regulated means of transport
 - Laid down by the insurer



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6.3 Safety regulation

- o Concept; International transport: § 21.1.2:
 - o As above
 - o + "all regulations and injunctions concerning measures for the prevention of loss issued by public authorities"

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6.3 Safety regulation

- o Sanction: § 21.2: No liability (# ICA) provided
 - o Causation
 - o Fault: "Cannot be imputed" (# ICA)
 - o Burden of proof: the assured

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6.4 Casualties caused by the assured

- ICA § 4-9
- Intent
 - No liability
 - Without fraud: part liability possible
- Gross negligence - reduction in liability
- Ordinary negligence - full liability

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6.5 Identification

- The problem
- Between the assured and his helpers
- Between the assured and the policy holder/former owner
- Special rules for breach of safety regulation

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6.5 Identification between the assured and his helpers

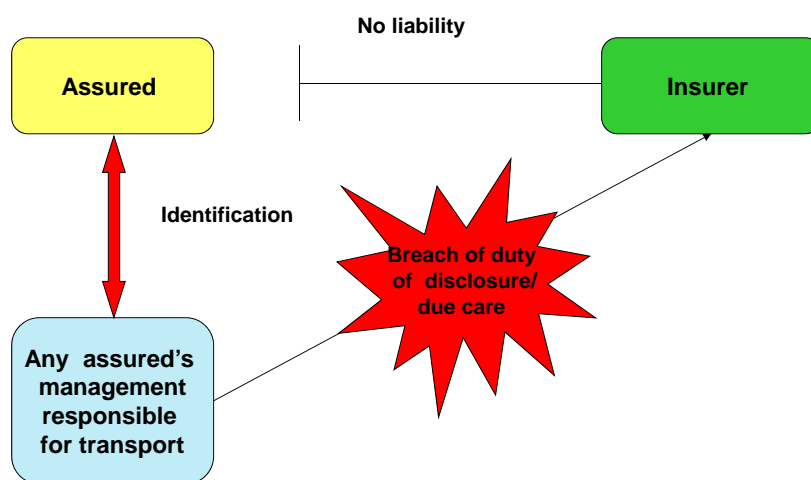
- o CIG § 10, 1 (a): Management personnel employed by one of the assured parties responsible for the transport of the goods

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IDENTIFICATION BETWEEN THE ASSURED AND HIS HELPERS



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6.5 The assured and the person effecting the insurance

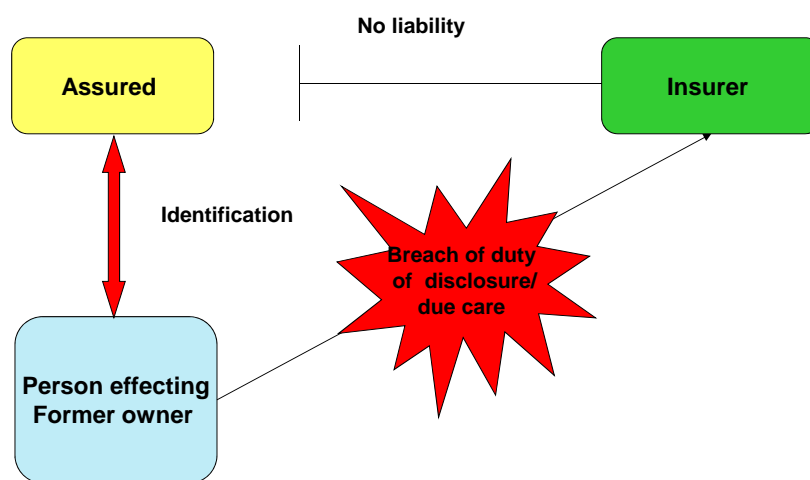
- CIGG § 10.1 (b)
- Person effecting the insurance and former owner of the goods
 - Either owner at the time of the omission or
 - Goods were in his charge

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CIGG § 10 (b)



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6.5 Breach of safety regulation

- CICG § 10:2:
- Breach of safety regulation in §§ 22, 23 or 24, or laid down by insurer
- identification with "other persons who have been engaged to organize the transport"

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7. Period of insurance

- Period of insurance in this context:
When does the insurance attach for each separate consignment of goods?
- When does the period commence?
- When does the period terminate?
- Suspension of the insurance

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7.1. Commencement of the period of insurance

- o CIGG § 14.1: where the insurance is effected by the seller,
- o The insurance period starts when the goods are moved for direct loading into the means of transport which shall convey them from the warehouse or place where the insured transit shall commence

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Commencement of the period of insurance

- o CIGG § 14.2: Where the insurance
 - o is effected by buyer, or
 - o only covers buyer's risk
- o Period of insurance commences when, in accordance with sales contract:
 - o The risk passes to buyer
 - o Insurance effected by seller terminates

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7.2. Termination of the period of insurance

- o CIGG § 15: Five possible termination points in time given
- o Decisive: Which point in time occurs first

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7.2. Termination of the period of insurance

- o First alternative: goods safely unloaded from means of transport that brought them to consignee's warehouse at named place of destination
- o Second alternative: goods delivered to consignee or placed at his disposal

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7.2. Termination of the period of insurance

- Third alternative: Risk passed to buyer where carrier has sold the Goods in accordance with contract
- Fourth alternative: 30 days after completion of discharge at named place of destination
- Fifth alternative: 60 days after discharge from the carrying vessel

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7.3. Suspension of the insurance

- CIG § 16.1: Delay in one place for more than 15 days due to circumstances within the assured's control
- CIG § 16.2: Delay in transit in one place for more than 3 months, unless exceptions nr. 1, 2, 3 or 4 apply

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8. Liability of the insurer

- o Two main questions:
- o Under what circumstances does the assured have a right to compensation?
 - o Total loss, shortage, damage
- o How is the compensation decided?
 - o Total loss, shortage, damage

8.1. Total loss

- o The concept "total loss", CICG § 35.1
 - o The entire consignment is destroyed
 - o The assured deprived of the goods without possibility of retrieving it
 - o Transit to destination abandoned
 - o Severe damage (90% of value lost)

8.1. Total loss

- The settlement of a total loss, *CICG* § 35.2
 - Main rule: sum insured, but not more than insurable value
 - No deduction for previously incurred damage, whether covered or not

8.2. Shortage

- The concept "shortage", cf. *CICG* § 36.1
 - Part of the insured consignment totally lost, cf. *CICG* § 35.1
- Compensation, cf. *CICG* § 36.2
 - Right to proportion of sum insured corresponding to the goods lost

8.3. Damage

- The concept "damage": not defined in CIG
- The compensation:
 - The insurer may always require repair, and cover the costs of repair, CIG § 37.1
 - But: If repair results in unreasonable loss or inconvenience

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8.3 Damage

- If damage not repaired, the insured entitled to cash settlement based on damage percentage, CIG § 37.2
 - But: If damage percentage for goods intended for resale is above 50%, the insurer may demand sale, CIG § 37.3.1
 - With perishable goods, right to sale even where damage percentage is below 50%, CIG § 37.3.4

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Thank you for your
attention



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