INSTITUTE OF ACTUARIAL & QUANTITATIVE STUDIES

Non-Life Insurance PPP

Marine Insurance Presentation

Marine Insurance

Marine insurance covers the loss or damage of ships, cargo, terminals, and any transport by which the property is transferred, acquired, or held between the points of origin and the final destination.

It indemnifies the assured to the extent of marine losses i.e. the losses incident to marine adventure.

Marine Insurance

Once the goods are moved out from the warehouse of the seller , they are no ire in custody of the seller or the buyer. During the transit loss can arise from :

•Fire , explosion
•Contact with water
•Breakage
•Accident
•Derailment of conveyance
•Theft
•Pilferage
•Non-delivery

Exposure to these risks and the fact that goods are in possession of a third party enhances the chances of loss.

History Of Marine Insurance

•Lloyd's Coffee House
• From 1961,in Lombard street , the coffeehouse became a place to discuss marine affairs
•Edward Llyod started giving out news –sheet . They pooled their money for insurance against risk connected with the sea.
•The need for underwriting led to formation of Llyod’s of London.

•Contrary to popular belief, Lloyd’s of London was not the first group of people to offer a maritime commerce. The first form of marine insurance dates back to year 3000 BC when Chinese merchants dispersed their shipments amongst several vessels so as to abridge the possibilty of damage to the products. The earliest account of insurance came in the form of ‘bottomry’ , a monetary payment that protects traders from debt if merchandise is lost or damaged.

Types of Cover

•**Hull** - covers physical damage to vessels including machinery and fuel but not their cargo

•**Cargo** - covers physical damage or loss of goods while in transit

•**Voyage** – provides coverage for a specific voyage . It covers the cargo and not the ship.

•**Freight** – covers the loss of freight suffered by the vessel if the ship-owner cannot complete his contract.

Liability - if the vessel collides with another vessel and there is damage, the liability suffered by the owner of the vessel for such collision is covered.

Types of Policies

- **Time policy** – the policy provides coverage upto a specified time
- **Mixed policy** - this policy combines time policy and voyage policy and covers voyages taken between specific destinations during a specific time period.
- **Valued policy** - under this policy the value of the cargo being transported is mentioned beforehand which specifies the coverage level of the plan. In case of loss of cargo, the value mentioned in the policy is paid as claim
- **Unvalued policy** – when the value of the cargo is not determined beforehand, it is called an unvalued policy. Under this policy, the loss suffered would be estimated when the loss happens.

Types of Policies

- **Floating policy** - Under this policy the policyholder buys the policy for a lump-sum value. Nothing else is specified. When the goods are actually transported, a declaration is made for the value of goods which is deducted from the lump sum amount selected under the policy. The policy, therefore, covers multiple voyages up to the lump sum limit.
  - this policy is for businesses which transport goods frequently.

- **Block policy** - A block policy is an all-risk insurance policy providing coverage against risks faced by goods transported or stored by third parties. It also covers property in storage and the equipment required to make the transportation and storage of goods possible.
  - Companies wanting their products covered against a wide variety of perils during transport and storage may buy a type of inland marine insurance or block coverage.

Types of Policies

- **Composite policy** - this policy is underwritten by multiple underwriters and each underwriter has a fixed liability.

- **Fleet policy** - this policy is taken by the owner of the vessel to cover the fleet of vessels which he owns i.e. a single policy for a group of vessels.

Underwriting

In a slip form the following details are submitted to the underwriter,

(i) names and brief details of vessels covered

(ii) value of vessels

(iii) periods of cover

(iv) deductions for brokerage, etc …

(v) class and type of cover

(vi) general conditions

Insurance factors include

i) Past claims experience

ii) Conditions of Insurance i.e. whether Full Risks, Total Loss Only etc., and size of deductibles.

iii) Insured value Unduly high values on old vessels in shipping recession would be avoided as would values which appear too low in relation to similar vessels. An alternative course in the latter situation is to insert a higher valuation for the purposes of constructive total loss.

Other Factors include

i) Trade routes and limits

ii) Cargo carried

iii)Management quality and ownership

Claim process

•In case of loss or damage to the cargo or the ship, you need to immediately inform the insurance provider.

•A surveyor will assess the damage or loss mentioned.

•All the proofs and witnesses need to be submitted along with the duly filled in claim form.

•For a missing package, the insured must lodge file a monetary claim with the insurance provider and get an acknowledgement for it.

•If the provider finds the case fit, it would approve the claim, else it would reject it

•In case you are not satisfied with the case, you can approach the court of law.

•The time limit for filing the claim is one year **from the date of goods discharge, which can further change as per the situation and the conditions specified by the insurer.**

Cargo Insurance

Cargo insurance is taken by shipowners to protect their goods from loss, damage, or theft while in transit. Generally, goods are insured while being stored and while in transit, until they reach the buyer.

Types of Cargo Insurance

Land Cargo Insurance : This insurance provides coverage for all the land transportations covering trucks and other small utility vehicles. The coverage aspects are theft, collusion damages and other related risks. This insurance is domestic in nature and normally, operates within the boundaries of the nation.

Types of Cargo Insurance

Marine Cargo Insurance : This insurance covers transportation carried our either in sea or by air. Here, means of transportation and goods are covered from damage due to cargo loading/unloading, weather contingencies, piracies and other relevant issues. Mostly, this insurance covers international transportation.   Under these insurances, there are some policies which can help you in understanding the concept of cargo insurance in a profound manner. These policies are:-

Open Cover Cargo Policies : When insurance holder opts for coverage against various consignments, then open cover cargo policies get activated. These policies are segmented in two categories namely renewable policy and permanent policy. Renewable policy is required for a particular value requiring renewal after policy expiration. Most of the single trip or voyages fall under this category. Permanent policy can be drawn up for a decided time period permitting countless shipments in that period.

Types of Cargo Insurance

Specific Cargo Policies : When a company approaches an insurance company or broker for insuring a particular consignment, then it can fall under the category of specific cargo policies. These policies are also termed as voyage policies because only shipments are covered under them.

Contingency Insurance Policy : There are certain cases where customer, not the seller is responsible for insuring the goods against loss or damage. There are perils associated with it if goods get damaged during transit and customer refuses to accept them. In few cases, some customers do not insure the goods and tend to avoid the liability. Under such circumstances, affected sellers can seek rectification with the help of the legal system. This can be very costly for them and sometimes, they may lose the case. Therefore, sellers are advised to go for contingency insurance which have a very less premium rate. For testing and verification, sellers need not tell about it to their customers.

Thank You