

PAMPHLET

10

# MARINE INSURANCE

également  
disponible  
en Français

This type of insurance covers professional shipping. Marine and transport insurance provides cover against all risks during transport, as well as against damage to the ship and the goods being transported.

## 1. WHY TAKE OUT MARINE INSURANCE?

Professional indemnity insurance is compulsory in many professions, providing financial protection in the event of disputes.

It provides protection in the event of damage to third parties. It also protects employees, staff, managers, equipment and business premises.

Marine and transport insurance is **not compulsory, but highly recommended** and essential to insure property (the ship's hull and machine-

ry and the goods being transported), bearing in mind that the capital involved is considerable.

No bank will accept the opening of a line of credit without a certificate of transport insurance.

For the sake of simplicity, as soon as maritime transport is involved, the rules and principles of marine insurance cover all transport, even if part of the journey is undertaken another mode of transport.

## 2. RISKS REQUIRING MARINE INSURANCE

**Marine and transport insurance is essential for:**

- Transport professionals (forwarding agents, shipowners, charterers).
- Manufacturers and trading companies.

**Marine and transport insurance is underwritten for risks relating to:**

- Loss of or damage to goods carried for which the carrier is liable.
- Total or partial destruction of the insured party's property (ship's hull and machinery and cargo).
- Damage caused to third parties for which the insured party is legally responsible.

Marine and transport insurance will be taken out for different types of vessel: sea-going and fishing vessels, and river vessels.

### 3. THE VARIOUS TYPES OF MARINE AND TRANSPORT INSURANCE

There are various types of insurance for the transport of goods by sea:

- Professional indemnity insurance.
- Hull insurance.
- Transportation insurance.
- General average insurance.
- Exceptional risks insurance.

The following table sets out the main characteristics of the various types of marine insurance.

Type of marine insurance	Characteristics
Professional indemnity insurance	Its guarantees cover most legal or contractual liabilities relating to (1) the various transport professions; (2) operation of the insured party's vessel.
Ship (hull) insurance policy	Its main objective is to cover loss and damage to the ship resulting from accidents, events or perils of the sea.
Transportation insurance	It insures all goods against all risks that may arise in transit by sea or inland waterway. Many types of goods may be insured: - foodstuffs: sugar, meat, vegetables, etc. - raw materials: cotton, precious metals, cast iron, oil, <b>wood</b> , etc. - finished products: textiles, perfumes, etc. - hazardous products: fertilisers, explosives, etc. - live animals.
Extended warranties	<ul style="list-style-type: none"> <li>• <b>Voyage policy:</b> this covers the goods and a specific journey; it is used for one-off shipments.</li> <li>• <b>Open cargo or floating policy:</b> all shipments of goods by the shipper are covered by the floating policy within the scope and time limits set out in the general and special terms and conditions of the contract: - all-risk cover, - "FPA except" (Free of Particular Average) cover: restricted insurance, unlike all-risk cover.</li> </ul>
Exceptional risks insurance	It is not included in the insurance policy for ordinary risks covered by the various marine cargo insurance policies. This insurance covers the following risks: <b>war, sabotage, hostilities, strikes, riots</b> , etc. This "exceptional risks" insurance covers goods against the risk of destruction due to theft, looting and other exceptional risks. It is sometimes necessary to bear this in mind because the cumulative losses linked to these various risks may be considerable. The following may be added to this insurance: - <b>End-to-end cover:</b> goods shipped are guaranteed from one end to the other (covering transport and the place of stay if necessary) - <b>Interruption or termination of voyage cover:</b> this covers the cost of unloading, warehousing and transporting the goods.

## 4. GENERAL AVERAGE

Shippers can sometimes be called upon by shipping lines to lend financial support in case of unforeseen events affecting a vessel, in the name of the general average principle. Today, this risk is greater than in the past.

General average is an internationally recognised maritime system that allows certain losses and expenses to be shared between the shipping company and the owners of the cargo in the event of a disaster during a voyage. One of the most high-profile recent examples was the grounding of *Ever Given* in the Suez Canal.

This ancient principle of maritime law is based on the premise that the sea is by definition a hostile territory, where many unforeseen events can occur. It therefore creates solidarity between the goods and the ship, with the co-contractors tacitly agreeing to share a “maritime adventure”. In the event of an incident falling within the scope of general average, it is understood that the cargo will contribute financially to the operations required to restore the vessel to the seaworthy condition it was in before the issue occurred.

If the outcome is fatal and results in the sinking of the vessel and all its cargo, this is a case of total loss which is almost easier to manage and does not fall directly within the scope of general average.

You might think that, thanks to technological advances, the risk is now lower but this is not the case.

It is even thought that the risks incurred by shippers in the container shipping sector are currently higher than they were a few years ago.

### Several factors are currently increasing the risk:

- The average age of the fleet is now over 14 years, compared with 12 years before the pandemic (source [Alphaliner](#)).

- Vessels built since the early 2000s are showing greater problems of premature structural ageing than the previous generation (source: [Alphaliner](#)).
- The wave of scrapping the oldest ships, announced for 2023, has not yet materialised.
- The growth in the transport of lithium-ion batteries is undeniably increasing the risk of fire. The International Maritime Organization has been asked by insurers to find suitable transport procedures to take account of these new specific risks.
- Climate change, producing more extreme weather situations, is an additional factor in accidents, despite better forecasting aids.
- Vessel size is also an issue, with a significant increase in the number of 400-metre vessels.
- The direct or collateral effects of acts of war are tending to increase.

The financial consequences of a general average declaration can be extremely significant.

When they buy a shipping service, shippers logically focus on freight rates and transit times, which are the two most important issues.

However, failure to take account of the risk of general average can lead to a double penalty: (1) delay or even non-delivery of the goods; (2) expenses that can far exceed the value of the goods transported.

A simple and inexpensive product is available to cover the risk of general average: “free of particular average except (FPA except)” transport insurance.

This insurance is equivalent to a third-party motor insurance policy in that it offers minimum cover for the cargo against an appeal for financial contribution.

(summary of <https://market-insights.upply.com/fr/transport-maritime-comment-gener-le-risque-davarie-commune>)

## 5. THE MARINE INSURANCE CONTRACT

To take out a marine insurance policy, it is advisable to contact insurance operators with recognised experience and expertise in the maritime field.

Certain sections of the contract require particular attention:

- **Special clauses** (exclusions and specific clauses)
- Risks of radioactive contamination, chemical risks.

- Hazardous goods (exclusion clauses).

- **Waiting periods**

- The waiting period stipulated in the insurance contract corresponds to the period during which cover does not apply.
- The waiting period begins on the date the contract takes effect.

## 6. MARINE INSURANCE PRICING PARAMETERS

Marine and transport insurance rates depend on a number of criteria:

- The cover taken out: professional indemnity

insurance, hull insurance, transportation insurance, extra cover, etc.

- The vessel: insured value, engine, size, etc.
- The navigation area.

## 7. THINGS TO REMEMBER BEFORE TAKING OUT MARINE INSURANCE

All new goods moving internationally are insured by whoever holds them (carrier, forwarding agent, transport and logistics operator, etc.).

However, this insurance is subject to a ceiling and is expressed in SDR<sup>1</sup> per kg.

Frequently, the cover is insufficient to deal with the risks incurred during transport; this is particularly true of maritime transport (conventional or containerised).

- **Actions to be taken :**

- identify the risks: general and/or particular average in transit by sea, destination,
- opt for Ad Valorem<sup>2</sup> insurance, which will cover others and be the company's sole point of contact,

- choose a single contact: insurance company, agent, broker, forwarding agent
- analyse the cover: "FPA except...", All Risks, etc.
- select a policy: voyage policy, sales turnover policy, open cargo policy.

- **Recommendations:**

- Some countries, particularly in Africa, require cover in their own country: to be avoided.
- Remember that "all risks" does not mean all risks, so you need to customise your policy.
- If possible, cover exceptional risks: cover for average and shortfalls as a result of exceptional events such as riots, war, terrorism, etc.
- Never forget that *force majeure* does not exist in international law.

### Webography

<https://www.gicouncil.in/insurance-education/types-of-insurance/marine/>

<https://psabdp.com/psa-bdp-blog/what-is-general-average-and-what-does-it-mean-for-your-cargo#:~:text=General%20Average%20is%20a%20principle,the%20whole%20in%20an%20emergency>

<https://market-insights.upply.com/fr/transport-maritime-comment-gerer-le-risque-davarie-commune> (in French)

1. special draw right avec le lien : [https://www.glossaire-international.com/pages/tous-les-termes/droits-de-tirage-speciaux-dts.html#:~:text=D%C3%A9finition%20de%20Droits%20de%20tirage%20sp%C3%A9ciaux%20\(DTS\)&text=Dans%20le%20cadre%20du%20r%C3%A9gime,\(droits%20de%20tirage%20sp%C3%A9ciaux\).](https://www.glossaire-international.com/pages/tous-les-termes/droits-de-tirage-speciaux-dts.html#:~:text=D%C3%A9finition%20de%20Droits%20de%20tirage%20sp%C3%A9ciaux%20(DTS)&text=Dans%20le%20cadre%20du%20r%C3%A9gime,(droits%20de%20tirage%20sp%C3%A9ciaux).)

2. fonction of value