Marine Insurance –
Policy and Certificate

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. Cargo insurance is the sub-branch of marine insurance, though Marine insurance also includes Onshore and Offshore exposed property, (container terminals, ports, oil platforms, pipelines), Hull, Marine Casualty, and Marine Liability. When goods are transported by mail or courier, shipping insurance is used instead.

General averages

Average in marine insurance terms is "an equitable **apportionment** *(Meaning Sharing or Distribution)* among all the interested parties of such an expense or loss."

General average stands apart for marine insurance. In order for general average to be properly declared

1) There must be an event which is beyond the ship-owner's control, which imperils the entire adventure

2) There must be a voluntary sacrifice

3) There must be something saved.

The voluntary sacrifice might be the jettison* of certain cargo, the use of tugs, or salvors, or damage to the ship, be it, voluntary grounding, knowingly working the engines that will result in damages. General average requires all parties concerned in the maritime venture (hull/cargo/freight/bunkers) to contribute to make good the voluntary sacrifice. They share the expense in proportion to the 'value at risk" in the adventure. Particular average is the term applied to partial loss be it hull or cargo.

*Jettison – Throw Away/ Discard. (Throwing of Products / Cargo in Sea to lighten the Ship and save the Ship from Drowning.

Average: is the situation in which the insured has under-insured, i.e., insured an item for less than it is worth. Average will apply to reduce the claim amount payable. An average adjuster is a marine claims specialist responsible for adjusting and providing the general average statement. An Average Adjuster in North America is a 'member of the association of Average Adjusters' To ensure the fairness of the adjustment a General Average adjuster is appointed by the ship-owner and paid by the insurer.

Specialist policies

Various specialist policies exist, including:

- **Newbuilding risks**: This covers the risk of damage to the hull while it is under construction.
- **Open Cargo or Shipper's Interest Insurance:** This policy may be purchased by a carrier, freight broker, or shipper, as coverage for the shipper's goods. In the event of loss or damage, this type of insurance will pay for the true value of the shipment, rather than only the legal amount that the carrier is liable for.
- **Yacht Insurance**: Insurance of pleasure craft is generally known as "yacht insurance" and includes liability coverage. Smaller vessels such as yachts and fishing vessels are typically underwritten on a "binding authority" or "lineslip" basis.
- **War risks:** General hull insurance does not cover the risks of a vessel sailing into a war zone. A typical example is the risk to a tanker sailing in the Persian Gulf during the Gulf War. The war risks areas are established by the London-based Joint War Committee, which has recently (when?) moved to include the Malacca Straits as a war risks area due to piracy. If an attack is classified as a "riot" then it would be covered by war-risk insurers.

- **Increased Value (IV)**: Increased Value cover protects the ship-owner against any difference between the insured value of the vessel and the market value of the vessel.
- **Overdue insurance**: This is a form of insurance now largely obsolete due to advances in communications. It was an early form of reinsurance and was bought by an insurer when a ship was late at arriving at her destination port and there was a risk that she might have been lost (but, equally, might simply have been delayed). The overdue insurance of the Titanic was famously underwritten on the doorstep of Lloyd's.
- **Cargo insurance**: Cargo insurance is underwritten on the Institute Cargo Clauses, with coverage on an A, B, or C basis, A having the widest cover and C the most restricted. Valuable cargo is known as specie. Institute Clauses also exist for the insurance of specific types of cargo, such as frozen food, frozen meat, and particular commodities such as bulk oil, coal, and jute. Often these insurance conditions are developed for a specific group as is the case with the Institute Federation of Oils, Seeds and Fats Associations (FOFSA) Trades Clauses which have been agreed with the Federation of Oils, Seeds and Fats Associations and Institute Commodity Trades Clauses which are used for the insurance of shipments of cocoa, coffee, cotton, fats and oils, hides and skins, metals, oil seeds, refined sugar, and tea and have been agreed with the Federation of Commodity Associations. There has also been discussion about insurance policies to address plastic pollution as a result of plastic cargo losses at sea. For example, marine insurance policies should factor in liability for marine plastic pollution, marine clean-up and conservation.

Claims basis and deductibles

Marine insurance is always written on an occurrence basis, covering claims that arise out of damage or injury that took place during the policy period, regardless when claims are made. Policy features often include extensions of coverage for items typical to a marine business such as liability for container damage and removal of debris.

A deductible is the first amount of a claim that the policy holders bears themselves. There can occasionally be a zero deductible but in most cases a deductible applies to claims made under a policy of marine insurance.

Marine Insurance Certificate

A marine insurance certificate is a document that an insured gives to the shipper responsible for their cargo or any other shipping-related activity. It certifies that the cargo is insured while in transit and is supported by a copy of an insurance policy. It is also called a special cargo policy or a cargo insurance certificate.

The certificate is for an open policy (or open cover) insurance. The open policy specifies a period of time that the marine business of the insured will be covered by an insurer when they ship their cargo to a specific shipper or carrier. In other words, it notifies the shipper that the shipping activity is insured.

While the certificate is issued by the insured, it is supported by a copy of the insurance policy from the insurer or such a copy will soon be forwarded.

Certificate of Insurance: It is an evidence of insurance but does not set out the terms and conditions of insurance. It is also known as ‘Cover Note’.

Insurance Broker’s Note: It indicates insurance has been made pending issuance of policy or certificate. However, it is not considered to be evidence of contract of insurance.