

HISTORY OF MARINE INSURANCE

Marine Insurance

- It is an important insurance
- Trade, Commerce & Industry depend on it
- Underwriting competency is necessary
- Dealing Executive & Staff should be conversant with mercantile practice

Origin of Marine Insurance

- ☐ **Marine Insurance is the ancient form originated from Lombardy, Italy around 1182 AD.**
- ☐ **The word used for policy was Polizza at that time by Italians.**
- ☐ **The present form of insurance originated from a coffeehouse situated at Tower Hill London.**
- ☐ **Edward Lloyd used to place his bets on Ships and Cargoes travelling from London to various other countries. It was the origin of word 'Underwriting'.**

History of Marine Insurance

- Reference of Marine Insurance is found in Aryan Literature, old Chinese Literature, & Other literature etc.
- It started as a co-operative device.
- Records are available to indicate
Bottomary Bond- ship-owner shall repay the loan with interest charge if voyage was Successful
- **Respondentia Bond**- loan on cargo

History of Marine Insurance.....

- 1st type of insurance transacted in the world – around 1310 AD.
- Oldest & earliest marine policy relates to a Mediterranean voyage in 1347.
- Spread from Italy to the trading routes in Europe.
- In the year 1400 a merchant in Florence wrote book wherein premium rates for shipment from London to Pisa were mentioned.
- The Italian Merchants from Lombard were the then experts in Marine Insurance business who finally settled in London to do this business and the area was called 'Lombard Street'.

History of Marine Insurance.....

- This insurance originated in a Coffee House owned by Edward Lloyd where marine underwriters used to sit and discuss their business.
- Thus, this branch of insurance flourished in UK where historic Lloyd's Association was founded in 1692.
- The Lloyd's list, a bulletin containing details of ships was published and circulated from 1696. It is now converted into we known Lloyd's Shipping Registers. This is the oldest magazine in the Guinness Book of Records.

History of Marine Insurance in India

- The British issued 1st insurance policy covering transit by 'Sancta Crux' from Calicut to Lixporne.
- Thus, this insurance was also the first in India
- British opened Marine Insurance in India around 1700.
- The 1st Co was named Sun Insurance Office Ltd. Which was set up in 1710.
- It started covering other transportations.
- The terms 'wet' & 'dry' cargos were used.

History of Marine Insurance In India.....

- Cargo insurance detariffed in 1993.
- Marine Hull detariffed in 2005.

Lloyds of London

- It is a Corporation or Syndicate.
- Underwriting members transact own account viz. Business forming syndicates.
- Legally liable under Lloyd's policies to the full extent of their means.
- Premium is put into pool.
- Accounts returns are submitted to be duly audited.

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Cont.....

Lloyds of London

- **Non underwriting members are brokers and surveyors**
- **Shipping intelligence.**
- **Insurance is placed not with the society or corporation of Lloyd but with one or more syndicates –**
- **Each member is directly liable to the policyholder for his share of loss.**
- **Lloyd's list and shipping gazette in 1734 - unbroken record of continued existence.**

Institute of London Underwriters

It was formed as a Trade Association for Marine Insurance Companies started with 20 companies-now more than 60.

It watches over the interest of Marine Insurance Companies in close coordination with Institute of Lloyds underwriters and some other organization. Its Technical and clauses committee drafted ships and Goods policy.

It is also a claim adjuster.

It maintains details of risks, claims and formats also statements from brokers and information from agents.

MARINE CARGO INSURANCE : IN INDIA

Is a Non-Tariff Competitive Environment

The INSURER and INSURED have a common

OBJECTIVE

**WIDEST POSSIBLE INSURANCE COVER AT MINIMUM
POSSIBLE PREMIUM RATES**

AND

PROMPT AND HASSLE FREE CLAIM SETTLEMENT

What Marine Insurance is:

- ❑ Marine insurance is that branch of insurance which provides coverage of risk to the goods transported from one place to another.**
- ❑ Goods may move from one country to another or within the country, they need insurance protection.**
- ❑ Marine insurance is a contract between the insurance company and the owner of goods.**
- ❑ Undertaking under the contract is that if the goods suffer loss during transportation from an insured peril, the insurance company will make good the loss, subject to terms and conditions of insurance contract.**

Why Marine Insurance should be done?

- ❑ Desire to provide **financial protection** to owner of goods against ills of transit
- ❑ Once the goods are moved out from the warehouse of the seller, they are in the hands of a third party called the carrier. During the transit loss can arise from:
 - ❑ **Fire, explosion, lightning, storm, volcanic eruption**
 - ❑ **Contact with sea and fresh water, heavy weather**
 - ❑ **Breakage**
 - ❑ **Accident**
 - ❑ **Derailment of conveyance**
 - ❑ **Theft, Pilferage**
 - ❑ **Non-delivery,**
 - ❑ **War, terrorism and strikes, etc.**
- ❑ Exposure to these risks and the fact that the goods are in possession of a third party enhances the chances of loss.

What is good in insuring?

The affect of insuring the goods is that the element of risk of loss is transferred from owner of the goods to the insurer. Being free from the threat of loss, the producers and traders are able to concentrate on their business activities. Thus marine insurance acts as a partner who stands behind the owners of goods in the event of a loss and allows them to concentrate on their main business fearlessly.

MARINE CARGO INSURANCE

MAY GRANT COVER FOR

- TRANSIT BY ROAD
- TRANSIT BY RAIL
- TRANSIT BY AIRCRAFT
- TRANSIT BY SHIP
- TRANSIT BY POST PARCEL
- ETC. ETC.

AS BOOKED CARGO WHILE IT IS IN THE
CUSTODY OF CARRIERS

Types of Cargo :

- **Cargo is extremely diverse:**
- Agricultural Products
- Bulk Liquids Commodities
- Containerized consumer products
- Electronic components
- Food and Beverage
- Industrial Equipment
- Ores and minerals
- Perishable goods
- Pharmaceuticals
- Project cargo
- Wood products and more.....

Classification of Cargo

- General cargo, e.g.:
 - Motor vehicles
 - Machinery, Equipment, Appliances
 - Paper products
 - Steel products
 - Textile products
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Classification of Cargo.....

- Break-bulk cargo, large quantities of general cargo, e.g.:
- Coffee beans in bags
- Cocoa beans in bags
- Oil-bearing seeds/fruits in bags
- Steel products
- Paper products
- Lumber

Classification of Cargo.....

- Bulk cargo, e.g.:
 - Coal
 - Ores
 - Gravel
 - Sand
 - Feedstuffs
 - Cereals

Classification of Cargo.....

- Liquid cargo, e.g.:
 - Oils, vegetable/animal
 - Oils, mineral
 - Liquid chemicals
 - Beverages (e.g. beer)
 - Liquid chocolate
 - Spirits (e.g. rum)
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Classification of Cargo.....

- **Dangerous goods** (dangerous goods classes) acc. to [Dangerous goods regulations](#):
 - Explosive materials and articles comprising explosive materials (class 1)
 - Gases compressed, liquefied or dissolved under pressure (class 2)
 - Flammable liquids (class 3)
 - Flammable solids (class 4.1)
 - Spontaneously combustible substances (class 4.2)
 - Substances which emit flammable gases in contact with water (class 4.3)
 - Oxidizing substances (agents) (class 5.1)
 - Organic peroxides (class 5.2)
 - Toxic substances (class 6.1)
 - Infectious substances (class 6.2)
 - Radioactive substances (class 7)
 - Corrosive substances (class 8)
 - Miscellaneous dangerous substances and articles (class 9)

Classification of Cargo.....

- Temperature-controlled goods, e.g.:
- Frozen food and highly perishable goods, e.g.
- Frozen fish
- Frozen meat
- Chilled meat
- Bananas
- Dairy products
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Classification of Cargo.....

- Foodstuffs, e.g.:
 - Fruit
 - Vegetables
 - Preserved foods
 - Meat
 - Fish
 - Dairy products
 - Spices
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Classification of Cargo.....

- Producer and capital goods, e.g.:
- Steel structures
- Machines and machinery
- Road vehicles
- Electro-technical installations
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Classification of Cargo.....

- Heavy-lifts, e.g.:
- Transformers
- Diesel engines (200 metric tons)

Classification of Cargo.....

- Sensitivity, e.g.: products subject to -
 - Flammable
 - Breakage
 - Pressure
 - Humidity/moisture (conference: Humidity/moisture and its impact on goods transport)
 - Corrosion ([Packaging: corrosion protection](#))
 - Easy spoilage
 - Ventilation
 - Insect infestation
 - Vibration
 - Shrinkage/Shortage
 - Self-heating
 - Impact
 - Temperature (conference: Temperature-controlled transport)
 - Bruising
 - Buckling
 - Mixing
 - Contamination

Other conditions

- Risk of theft, e.g.:
- High value goods
- Direct consumer usability

Port conditions

- Special port provisions
- Security guarding
- Quay or dockside
- Warehouses or open air storage
- Lighterage- conveyance charge(flat-bottomed barge)
- Storage capacity
- Cargo handling facilities
- Waiting times
- Customs clearance

Other conditions

- Precarriage, main carriage and onward carriage, e.g.:
- Number of transshipments
- Number and duration of periods of intermediate storage
- Railroad connections
- Inland waterways
- Infrastructure
- Road conditions

Other conditions.....

- Climatic influences, e.g.:
 - Heat
 - Seasonal passability of transport routes
 - Cold
 - Climatic zones (climatic overview of transport routes)
 - Natural hazards (transport routes world maps of natural hazards)
 - Precipitation
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Other conditions.....

- Political conditions, e.g.:
- Civil unrest
- War zones or crisis areas
- War materials (e.g. mines)
- Strikes or rebellions
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Other conditions.....

- Intermodal or multimodal transport, e.g.:
 - Sea/inland waterway (e.g. LASH)
 - Road/air
 - Road/railroad (e.g. piggy-back transport, such as "trailer-on-flat car", crane-liftable semitrailers and swap-bodies, containers)
 - Road/sea (e.g. ro-ro transport)
 - Other combinations

Other conditions.....

- General cargo storage, e.g.:
- Flat storage
- Open air storage
- Elevated flat storage
- Elevated shelf storage
- Multistorey storage
- Air-inflated structures
- Tented structures
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Other conditions.....

- Bulk cargo storage, e.g.:
- Bunkers
- Open air storage
- Open air storage with enclosure
- Closed storage facility
- Silo

Other conditions.....

- Liquid storage facilities, e.g.:
- Buried reservoirs
- Elevated reservoirs
- High pressure reservoirs
- Low pressure reservoirs
- Open reservoirs
- Tank storage
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Other conditions.....

- **Protective measures, e.g.:**
- Connection to security service/police
- Guarding of storage facility
- Burglar and fire alarm installations
- Security zones
- Video monitoring
- Valuables compartments
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Different vessels

- Ocean-going vessels, e.g.:
- Barge carriers
- Chemical tankers
- Ferries
- Feeder ships
- Flo-flo vessels
- Gas tankers
- Conventional or modern general cargo ships
- Refrigerated container vessels
- Refrigerated vessels
- Coastal motor vessels
- Bulk carriers
- OBC carriers (ore, bulk and container)
- Oil tankers
- Passenger and cruise vessels
- Pure automobile and truck carriers
- Ro-ro/lo-lo/sto-ro carriers
- Heavy-lift vessels
- Special lumber carriers
- Full- or semi-container vessels

Other modes

- **Other means of transport, e.g.:**
- Ground conveyors with drive – Rail/Road
- Ground conveyors without drive - Road
- Pipelines

Packing Conditions

- Packaging regulations, e.g.:
- [Dangerous goods regulations](#)
- HPE packaging Guidelines - set out minimum standards for load and stress resistant packaging during Transit
- VDI Guidelines -Virtual Desktop Infrastructure

Packing

- Inner packaging, e.g.:
- Corrosion protection
- Plastics films
- Cushioning materials
- Securing / fastening

Packing.....

- Packaging materials, e.g.:
- Fibrous materials
- Glass
- Lumber
- Cardboard
- Plastic
- Metal/sheet - metal
- Paper
- Millboard –Asbestos sheet
- Corrugated board

Packing.....

- Packaging containers, e.g.:
- Bales
- Bags
- Cans
- Barrels
- Bottles
- Jerricans
- [Boxes](#)
- Sacks
- [Cartons](#)
- [Shrink covers](#)
- [Stretch wrappers](#)
- Drums
- [Crates](#)
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Packing.....

- Packaging aids, e.g.:
- Films
- Edge protectors
- Markings
- Adhesive strips
- Corrosion protection agents
- Nails
- Metal and other seals
- Cushioning materials
- Straps
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Insured Value

- Insurance value consisting of, for example:
- Commercial value (new and current value)
- Notional profit
- Inclusion of added value
- Customs
- Freight
- Taxes and duties
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Expenses can be insurable

- Insurable expenditure and costs, e.g.:
- Consequential losses arising from damage to goods and financial losses
- Clean-up costs
- Destruction costs
- Rescue costs
- Disposal costs
- Express costs
- Cleaning costs

Instruction to Shipping Co.

- **Special shipping instructions, e.g.:**
- Declaration of value for valuables
- No transshipment
- Non-stop transport

High Risk Conditions

- **Measures taken under high risk conditions, e.g.:**
- **Use of experienced forwarders**
- **Locked vehicles for goods at risk of theft**
- **Travelling in convoy**
- **At least two drivers with one always in the vehicle**
- **Armed accompanying guards**
- **No transshipment**
- **Overnight stays in guarded, well-lit truck parks**
- **Approved anti-theft device**
- **Use of direction-finding and locating systems**
- **Use of navigational systems/up-to-date maps**
- **Route adjustment (advice)**
- **Sufficient fuel and spare parts**
- **Have an accompanying replacement vehicle for large shipments**
- **Transport valuable individual components in different vehicles**
- **Change route sections regularly**
- **Proper accompanying documentation, especially with regard to customs procedures**
- **Consignment tracking**
- **Sealed CTUs**
- **Use of special containers/means of transport**
- **Supervision of transshipment**
- **Marking of certain goods**
- **Inspection of unloading**
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- Loss prevention measures / recommendations

Use of own know-how or specialists
(internal/external) Packaging advice

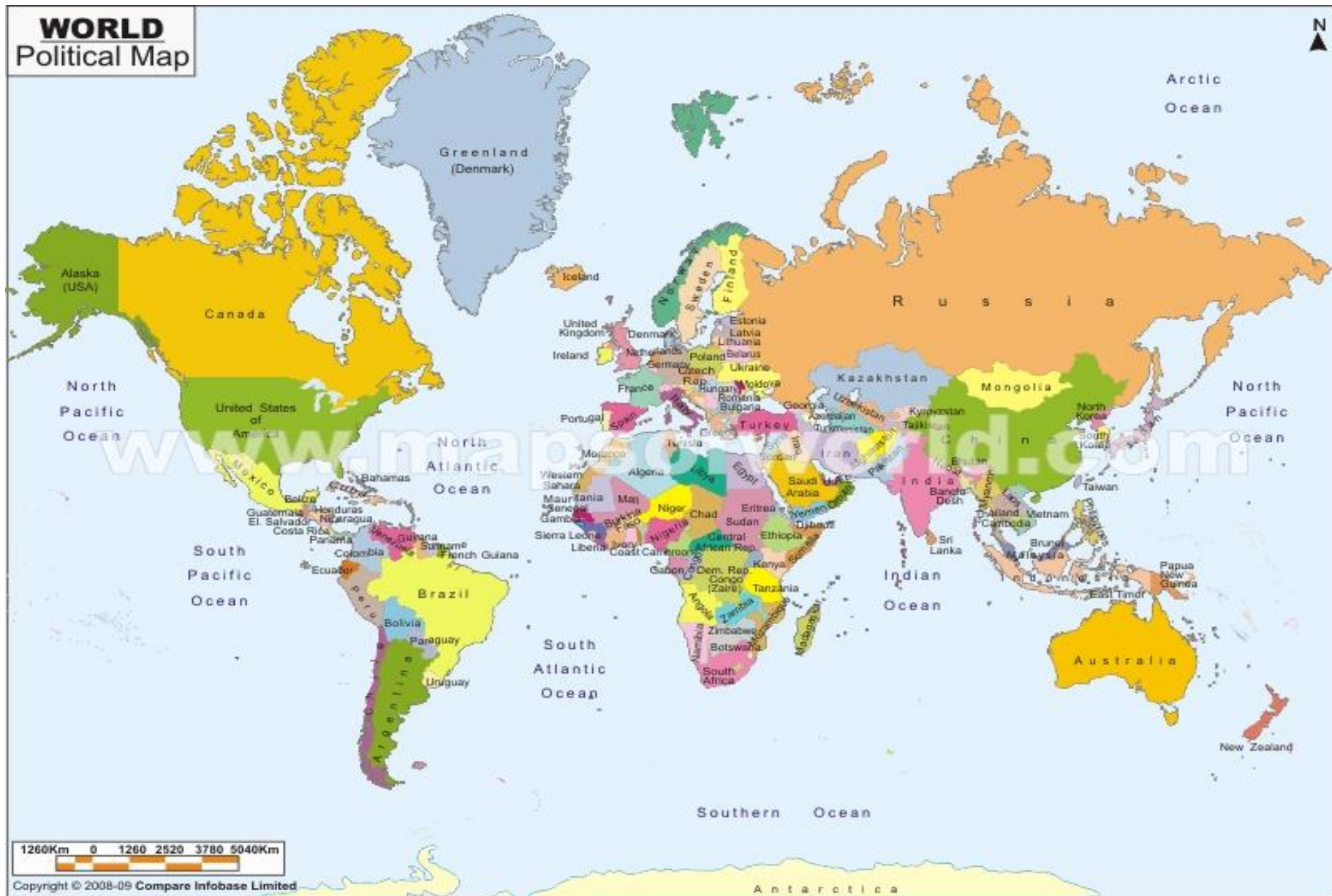
- Inspection of packing, stowage and unpacking
- Testing of suitability of means of transport
- Monitoring of transport operation, for example
Expert loss prevention on site by loss adjuster
- Special shipping instructions, for example
Measures taken under high risk conditions, for example



Knowledge of routes of transit

- Geographical knowledge
- Different oceans, bays, straits, canals, etc
- Sea routes
- Land routes
- Climates
- Monsoon periods
- Cyclone, storms, etc.

WORLD Political Map



WORLD MAJOR SEAPORT



THANK YOU