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# MARINE INSURANCE: BOON FOR MARITIME TRADE

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## INTRODUCTION

Due to increase in maritime commercial activities has led to the increased need for introducing maritime insurance in India. Like in every other sector, insurance plays a vital role in safeguarding the interest of people who are indulged in commercial activitieswhich take placevia sea. Marine Insurance is a type of transportation insurance in which the insurer undertakes to indemnify the insured against all or some types of risks depending upon the coverage of the policy for an agreed period of time.[2]The marine insurance is purchased by the insured having interest in the cargo or vessel with the aim to get protection against heavy financial losses on the happening of natural or man-made events which are beyond their control such as change in weather, explosion, sinking, jettison, collision, piracy attack, crash, theft etc.There are various types of marine insurance policies which are currently available in the market which theowner of the cargo as well the owner of the vessel can purchase as per their necessities.

## EVOLUTION OF MARINE INSURANCE

The evolution of marine insurance can be traced back to *Greece*which was evolved by time as '*Marine Insurance Contracts'*.As commercial activities which take place through sea were uncertain due to the presence of high perils,*Bottomry Bonds*were introduced to provide protection to merchants against heavy financial losses. *Bottomry Bonds* were also known as *Babylon* was a type of contract in which merchants were granted loan for equipping or repairing the vessel which they were not required to pay if their vessel didn't reach the final destination due to the sea perils. *Babylon* was also acknowledged by *Ancient Roman law* with the aim to indemnify the owners of the vessel or cargo against heavy financial losses.

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2. https://www.britannica.com/topic/marine-insurance



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In 12th century, due to the increase in commercial activities via sea *Italians* started the practice of providing compensation for the loss or damage of vessel as well as cargo to the merchants which eventually spread to *Northern Europe*[3].

In the 17th century, the increase in commercial activities involving the high perils led to the establishment of *Lloyds Coffee House* in London. Within a short span of time *Lloyds Coffee House* established by Edward Lloyd had become a popular place for merchants and sailors for getting information related to shipping which later turned into a publication of *Lloyds* list. After the death of Edward Lloyd in 1713, the members of the committee formed a corporation of *Lloyd* which was reorganized in 1769 as a formal group of underwriters willing to take a total amount of risk.[4]

## WHO CAN PURCHASE A MARINE INSURANCE?

Following are the list of the people who can purchase marine insurance to protect themselves against heavy financial losses:

- Owner of the vessel(s)
- Owner of the cargo
- Financial institutions to the extent of a loan given by them to the owners
- The crew members of the vessel
- Any party having interest in the cargo or vessel

## TYPES OF MARINE INSURANCE

Currently, there are various types of Marine Insurance such as Hull Insurance, Cargo Insurance, Marine Liability Insurance and Freight Insurance which are available in the market from which a person having interest in the vessel or cargo can purchase as per their requirements and specifications which are explained below:

- *Hull insurance* is a type of insurance which provides protection to the owners of the vessel by indemnifying them against the electrical, operational or mechanical damage caused to the body of the vessel by the perils of the sea. Hull Insurance includes fire, collision, hidden defects in the machinery, accidents during loading or unloading of cargo and it may extend to the vessels under the construction process.

3. https://insurance-times.net/article/brief-history-marine-insurance
4. https://www.britannica.com/topic/insurance/Historical-development-of-insurance



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- *Marine Cargo Insurance* safeguards the cargo owner from heavy financial losseswhich may be caused due to physical damage to goods when they are transported from one destination to another destination.
- Some events cannot be anticipated or controlled by the owner of the vessel. As transportation of goods from one destination to another involves high perils such piracy attack, collision and crash which may endanger the life of the crew members of the vessel as well as lead to exposure of risk to the goods. To protect the owner against the loss caused by any event which is beyond their control they are advised to purchase *Marine Liability Insurance*.
- The amount which is paid to the owner of the vessel for transportation of goods from one destination to another is known as freight. Generally, in Marine Law freight is paid to the owner of the vessel when the cargo reaches the final destination safely and*Freight Insurance* indemnifies the owner of the ship against the loss of freight if the cargo damages due to happening of any unanticipated event.[5]

**TYPES OF POLICIES UNDER MARINE INSURANCE**

There are various policies under marine insurance which the interested party can purchase as per their necessities and specifications which are explained below:

- Time Policy

  This is a type of policy which is purchased by an interested party in a vessel for a specified period of time. It is pertinent to mention here that the period of this policy should not exceed 12 months and the period specified in the time policy exceeds one yearthen it is considered as invalid.
- Voyage Policy

  This type of policy is purchased by the interested party in a vessel for a specific journey which comes to an end with an end in the journey.
- Mixed Policy

  This policy is a combination of time policy as well as voyage policy which is taken for specific voyage and for specific period of time.
- Port Risk Policy

5. https://www.paisabazaar.com/commercial-insurance/marine-insurance/



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This is a type of policy which provides protection against the loss which takes place when the vessel is connected to the anchor.

- Valued Policy

  In this type of policy, the information related to the value of the cargo is informed by the insured to the insurance company and in case of any mishappening, the insured can claim for the amount as specified in the insurance policy.

- Unvalued Policy

  In this type of policy, the value of the claim is calculated when the actual loss or damage to cargo takes place. Unlike Valued Policy, the information related to the value of the cargo has not been given to the insurance company before the loss.

- Floating Policy

  In this type of policy, the lump sum amount is decided between the insurance company and insured without any other information. This policy is suitable for the people who are indulged in transportation of goods from one destination to another frequently.[6]

- Block Policy

  This policy is suitable when the cargo travels from various modes of transportation such as sea, road or air before reaching its final destination as it provides protection against the damage which takes place during the transit.

- Fleet Policy

  This policy is recommended to the owner of more than one vessel as it covers all the vessels under a single policy which helps to save the high amount of premium if separate policies for each vessel is purchased.

## COVERAGE OF MARINE INSURANCE POLICY

Following are the list of the perils of the sea which are covered in marine insurance policy:

- There are many sea perils such as cyclone, sinking, collision, accident etc. which are involved in transportation of goods from one destination to another. Marine insurance safeguards the insured against the perils of the sea which are unexpected and uncontrolled by the insured.
- Any damage caused to the vessel or cargo due to the fire is included in marine insurance as it is one of the major perils of the sea.

6. https://securenow.in/insuropedia/what-are-the-types-of-marine-insurance/



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- The insurance company provides indemnity to the insured when the loss is caused to the cargo or vessel due to the act of enemy countries.
- The insurance company pays the compensation to the insured if the loss is caused to vessel or cargo due to theft, piracy attack and hacking.
- If any emergency arises due to which some cargo or any other thing is thrown by the crew members or the owner of the vessel then such loss is covered under marine insurance.
- If any loss or damage is caused due to strike then such risks are covered under the insurance.
- Any act done by crew members of the vessel without the knowledge of the owner, in such case any loss or damage caused shall be indemnified by the insurance company.
- Any other perils involved in a voyage shall be covered as per the agreed terms of the policy.[7]

  The burden of proof lies on the insured to satisfy the insurance company regarding the loss or damage.

## EXCLUSIONS OF MARINE INSURANCE

It is pertinent to mention here that insured cannot procure the benefit from marine insurance policy if the loss is caused to the vessel or cargo due to following reasons:

- Negligence
- Normal wear and tear of a vessel or cargo
- Leakage in a vessel but it should not be caused by accident
- Internal defect in cargo
- Poor packaging of goods
- Delays
- Any other willful misconduct

## DOCUMENTS REQUIRED FOR CLAIMING MARINE INSURANCE

Following are the list of the documents which insured is required to submit insurance company to procure the benefit of marine insurance policy:

- Certificate of the insurance policy along with others documents which are given to the insured at the time of purchasing insurance

7. https://accountlearning.com/different-types-of-marine-perils-in-marine-insurance/



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- Copy of the invoice
- Lading bill
- FIR if goods are stolen or theft
- Surveyor report by the surveyor appointed by the insurance company
- Claim bill
- Other formalities as per the insurance company requirements[8]

## PROCESS FOR CLAIMING MARINE INSURANCE

If any person having insurance policy wants to claim for the damages under the marine insurance purchased by him, then he is required to inform the insurance company immediately regarding the loss of vessel or cargo and submit the documents of insurance with policy number along the invoice of the cargo. After receiving the information from the insured regarding the loss or damage, a surveyor appointed by the insurance company will inspect the matter. On the basis of the surveyor's report, documents, evidence and witnesses provided by the insured, the insurance company would decide regarding the grant or rejection of claim.

If the insured is not satisfied with the decision of the insurance company then he can approach the court for his grievances.

## ADVANTAGES AND DISADVANTAGES OF MARINE INSURANCE

It is very important for a person having interest in a vessel or cargo to purchase an appropriate marine insurance as per their requirements as it provides protection to them against heavy financial losses on the happening of any natural event which can neither be controlled nor anticipated with high technologies such as earthquake, cyclone, lightning, pollution, weather conditions as well as from man-made events such as accident, theft, mishandling of a vessel, collision, crash, hijack. Marine insurance also provides for compensation in case of illness, injury or death of the persons present on the ship during the happening of an event depending upon the terms of the policy. Irrespective heavy premiums on marine insurance, there is no other disadvantage of purchasing marine insurance.[9]

## CONCLUSION

8. https://securenow.in/insuropedia/documents-must-submitted-insured-filing-marine-insurance-claim/
9. https://www.freetohit.com/marine-insurance-types-benefits-and-advantages/



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Before the evolution of marine insurance, people indulged in commercial activities via sea used to bear heavy financial losses due to high perils of the sea such as accident, theft, change in weather, war, collision, strike etc. The concept of marine insurance has been evolved from the Greek loan which helps to mitigate the impact of perils of the sea. Marine insurance helps to reduce the financial losses as insurance company indemnifies the insured against the loss or damage caused to the vessel or cargo on the happening of an event which cannot be anticipated and controlled by the owners. The benefit which the insured can procure from the marine insurance policy depends upon the type of insurance and policy purchased by him. There are various types of insurance as well as policies which the insured can purchase as per their needs such as hull insurance, marine cargo insurance, and marine liability insurance, freight insurance, time policy, voyage policy, mixed policy and many more. To avail the benefits from marine insurance policy, the insured is required to perform necessary steps as per the requirements of the insurance company as well as the burden of proof also lies on the insured. Based on completion of formalities and surveyors report the decision regarding the acceptance or rejection shall be taken by the insurance company. Generally, it is advised to the insured to read and understand the terms of the policy properly in order to procure benefit from it as it acts as a shield to protect the owners from heavy financial losses.



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