VIDYA BHAWAN BALIKA VIDYA PITH

शक्ति उत्थान आश्रम लखीसराय बिहार

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Teacher name – Ajay Kumar Sharma

BUSINESS SERVICES

MARINE INSURANCE

A marine insurance contract is an agreement whereby the insurer undertakes to indemnify the insured in the manner and to the extent thereby agreed against marine losses. Marine insurance provides protection against loss by marine perils or perils of the sea. Marine perils are collision of ship with the rock, or ship attacked by the enemies, fire and captured by pirates and actions of the captains and crew of the ship. These perils cause damage, destruction or disappearance of the ship and cargo and non-payment of freight. So, marine insurance insures ship hull, cargo and freight. Thus, it is a device wherein the insurer undertakes to compensate the owner of a ship or cargo for complete or partial loss at sea.

The insurer guarantees to make good the losses due to damage to the ship or cargo arising out of the risks incidental to sea voyages. The insurer in this case is known as the underwriter and a certain sum of money is paid by the insured in consideration for the guarantee/ protection he gets. Marine insurance is slightly different from other types. There are three things involved i.e., ship or hull, cargo or goods, and freight.

(a) Ship or hull insurance: Since the ship is exposed to many dangers at sea, the insurance policy is for indemnifying the insured for losses caused by damage to the ship.

(b) Cargo insurance: The cargo while being transported by ship is subject to many risks. These may be at port i.e., risk of theft, lost goods or on voyage etc. Thus, an insurance policy can be issued to cover against such risks to cargo.

(c) Freight insurance: If the cargo does not reach the destination due to damage or loss in transit, the shipping company is not paid freight charges. Freight insurance is for reimbursing the loss of freight to the shipping company i.e., the insured.

The fundamental principles of marine insurance are the same as the general principles. The main elements of a marine insurance contract are:

(i) Unlike life insurance, the contract of marine insurance is a contract of indemnity. The insured can, in the event of loss recover the actual amount of loss from the insurer. Under no circumstances, the insured is allowed to make profit out of the marine insurance contract. But cargo policies provide commercial indemnity rather than strict indemnity. The insurers promise to indemnify the insured “in the manner and to the extent agreed.” In case of ‘Hull Policy’, the amount insured is fixed at a level above the current market value;

(ii) Similar to life and fire insurance, the contract of marine insurance is a contract of utmost good faith. Both the insured and insurer must disclose everything, which is in their knowledge and can affect the insurance contract. The insured is duty-bound to accurately disclose all facts which include the nature of shipment and the risk of damage it is exposed to;

(iii) Insurable interest must exist at the time of loss but not necessary at the time when the policy was taken;

(iv) The principle of causa proxima will apply to it. The insurance company will be liable to pay only if that particular or nearest cause is covered by the policy. For example, if a loss is caused by several reasons then nearest cause of loss will be considered. Refer to page 105 for types of insurance and social secuirty scheme.