

# Principles of marine insurance

**Objective:** To provide knowledge and understanding of marine insurance principles and the world market and legal context within which they apply.

## Knowledge ratings:

Each sub-topic has been designated a numerical knowledge rating as follows:

- 1 General background awareness necessary.
- 2 Requires a knowledge of the major elements of procedures or concepts and their uses.
- 3 Requires the ability to evaluate concepts, issues, policies and procedures, together with an understanding of associated aspects of these items and their application to various situations.

	Knowledge rating		Knowledge rating
<b>Method of assessment:</b> See page 7 in the 2004 Advanced Diploma in Insurance 'Information for candidates' brochure.		Market functions and services provided by:	
<b>Notes:</b>		– brokers;	1
– The syllabus will be based on UK law and practice.		– average adjusters;	1
– The April session will test the legal position as of 31st August of the preceding year.		– risk managers;	1
– The October session will test the legal position as of 28th February of the same year.		– captive managements;	1
		– lawyers, including the Admiralty Court;	1
		– banks;	1
		– surveyors, including the Salvage Association and classification societies.	1
<b>Development of marine insurance</b>		Purpose and functions of the main trade associations and market committees and their bureaux.	2
Maritime perils and how marine insurance covers them.	2	Provision and effect of market agreements, including:	
The effect on the development of marine insurance of:		– leading underwriter agreements;	2
– the evolution of world trade;	1	– war risk agreements.	2
– the development of legal regimes, including general average, salvage, collision;	1	Use and trading implications of e-commerce in the marine market.	2
– the changing business environment.	1	Sources and exchange of electronic information, including market systems.	2
Growth of the main worldwide marine insurance markets.	1		
Cargoes, modes of transport and the marine transport infrastructure.	1	<b>Learning outcome</b>	
		Candidates should be able to describe the characteristics of the marine insurance market and its ancillary services.	
<b>Learning outcome</b>		<b>Legal principles</b>	
Candidates should be able to describe the main influences on the development of marine insurance.		Background to international conventions.	2
<b>Marine insurance market</b>		Relationship between international maritime law and UK and other domestic maritime law.	2
Characteristics of the different types of market with particular reference to:		Main principles of international maritime law relating to:	
– London and other major international markets;	2	– limitation of liability;	3
– domestic markets;	2	– salvage;	3
– mutuals;	2	– collision;	3
– captives.	2	– general average;	3

- towage; 3
- wreck removal; 3
- arrest and maritime liens and mortgages; 3
- passengers; 3
- pollution. 3

Main principles of international maritime law relating to contracts of carriage:

- charterparties; 3
- bills of lading; 3
- waybills; 2
- Carriage of Goods by Sea Act 1971; 3
- the Hague-Visby Rules; 3
- the Hamburg Rules. 2

Function and main principles of the major maritime voluntary codes, including:

- multimodal codes, road, rail; 2
- Incoterms; 2
- York-Antwerp rules. 2

Restrictions on transacting international marine insurance business; freedom of insurance. 2

#### Learning outcome

Candidates should be able to explain and interpret the legal principles relating to shipping and the carriage of goods and apply them to a variety of situations.

## Marine Insurance Act 1906

Provisions of the Act, with particular reference to:

- insurable interest, assignment and double insurance; 3
- disclosure and representations; 3
- warranties; 3
- premium; 3
- measure of indemnity, total and partial loss; 3
- rights of insurer on payment. 3

#### Learning outcome

Candidates should be able to describe in detail the relevant provisions of the Marine Insurance Act 1906.

## Risks and types of cover

The main classes of marine risk and the cover available:

- hull; 2
- cargo; 2
- liability, including P&I; 2
- war; 2
- energy; 2
- excess of loss and other forms of reinsurance. 2

Contractual obligations of the assured to others, with specific reference to:

- documentary credits; 2
- contracts of sale; 2
- mortgages. 2

#### Learning outcome

Candidates should be able to describe the main classes of marine risk, the cover available, and the contractual obligations of the assured to others.

## Ethical considerations

- Types of maritime fraud. 1
- Treatment by marine insurers of incidences of fraud. 2
- Issues arising from the Marine Insurance (Gambling Policies) Act 1909. 2
- Cover for sensitive cargoes and sensitive shipping operations. 1

#### Learning outcome

Candidates should be able to describe the principal ethical considerations arising from the transaction of marine insurance.

#### Reading list

The following list provides details of various publications which may assist with your studies. The primary text for this syllabus is shown in bold type. Periodicals and publications listed as additional reading will be of value in ensuring candidates keep up to date with developments and in providing a wider coverage of syllabus topics. Any reference materials cited are authoritative, detailed works which should be used selectively as and when required.

**Note:** The examination will test the syllabus alone. The reading list is provided for guidance only and is not in itself the subject of the examination.

Most of these additional study materials can be borrowed or purchased from CII Information Services at [www.cii.co.uk/is](http://www.cii.co.uk/is)

#### Primary text

**Principles of Marine Insurance. London: CII. Coursebook 770.**

#### Additional reading

Marine Reinsurance. Robert H. Brown, Peter B. Reed. London: Witherby, 1981.

Introduction to Marine Insurance. 2nd edition. Robert H. Brown. London: Witherby, 1995.

The Principles of Marine Insurance: A Primer. Harold A. Turner. 7th edition. London: Stone and Cox, 1986.

Elements of Shipping. Alan E. Branch. 6th edition. London: Chapman and Hall, 1989.

International Shipping: An Introduction to the Policies, Politics and Institutions of the Maritime World. Bruce Farthing. 2nd edition. London: Lloyd's of London Press, 1993.

The Merchants Guide. John Richardson. London: P&O Nedlloyd, 1999.

#### Reference materials

Templeman on Marine Insurance: Its Principles and Practice. 6th edition. R. J. Lambeth. London: Pitman, 1986.

Dictionary of Shipping Law. E. R. Hardy Ivamy. London: Butterworths, 1984.

Marine Insurance Act, 1906. London: HSMO, 1906.

Chalmers' Marine Insurance Act, 1906. 10th edition. Sir Mackenzie D. Chalmers. London: Butterworths, 1993.

Marine Insurance: Law and Policy. Donald O'May, Julian Hill (ed. and co-author). London: Sweet & Maxwell, 1993.

Bills of Lading and Bankers' Documentary Credits. Paul Todd. 2nd edition. London: Lloyd's of London Press, 1993.

General Average and York-Antwerp Rules. Lowndes & Rudolf: Sweet & Maxwell.

Shipping Practice – with a consideration of the relevant law. Edward F. Stevens, C. S. J. Butterfield. 11th edition. London: Pitman, 1981.

Maritime Economics. Dr Martin Stopford. Clarksons Research Studies.

### ***Periodicals***

The Journal. London: The Chartered Insurance Institute.  
Six issues a year.

Post Magazine. London: Timothy Benn. Weekly.

Lloyd's List. Daily. London: LLP.

Marine Insurance Report. Monthly.  
London: DYP Insurance and Reinsurance Research Group.

Lloyd's Law Reports. Monthly. London: LLP.

Fairplay International: The International Shipping Weekly.  
London: Fairplay Publications.

Insurance Day. Three issues per week. London: LLP.

Marine Insurance Bulletin. Monthly. London: LLP.

### ***Examination guides***

You are strongly advised to study these before the examination.  
Please visit [www.cii.co.uk](http://www.cii.co.uk) to buy online or contact CII Customer  
Service for further information on 020 8989 8464.