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A CONCEPTUAL STUDY ON HULL AND MACHINERY AS WELL AS SUBSIDIARY INTERESTS IN MARINE INSURANCE

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ABSTRACT

Marine is probably one of the most complicated and interesting form of insurance. Many Insurance principles tend to take a U turn in marine insurance. For instance the principle of indemnity which is turned upside down with the concept of valued policy. Marine makes many exceptions to the rule.

KEYWORDS: Hull and Machinery , Subsidiary interests , concept of valued policy.

INTRODUCTION:

It comes as a surprise to a commoner that though the term Marine resembles commutation through water, Rail , Road and Air is also covered by Marine only. The paper is an attempt to understand the meaning of "HULL AND MACHINERY AS WELL AS SUBSIDIARY INTERESTS" which forms a very integral part of marine



insurance. The meaning given here is general in nature and does not pertain any one type of policy.

DISCUSSION

In the below paragraph meaning of hull and machinery as well as subsidiary interests is stated followed by nature of Sum insured , general risks covered, general exclusions , who can be insured and types of losses insured will not cover.. They are stated as points from a to i.

a.Hull and machinery - includes body or hull, machinery, ordinary fittings required for the trade and other equipment; stores and provisions for the officers and crew

b.Subsidiary interest means – Freight and Disbursements

Freight - refers to the profit that a shipowner may earn from the employment of his ship to carry his own goods or moveables as well as the Freight payable by Cargo Owners/Shippers. Disbursements means- before a ship leaves the port for a voyage we need to pay port duty, any forwarding charges or expenses for loading etc.

c. Other than a ship owner a Charterer and a ship builder can also take such insurance.

d. Hull policies can be issued as 'Time policy' generally for 12 months but it can be for 6

months also or as a 'Voyage policy' (On Voyage basis) In a Voyage policy the words policy starts 'from' or 'at and from' will be mentioned and in a time policy the duration (months) will be mentioned.

e. One must remember that time and voyage policies cover named perils (meaning if that peril is written then only it will be covered. If it is an exclusion, it won't be covered). However , if your policy is 'All risks policy' all the perils written or not will be covered.

f. General risks covered are Sea perils , Pollution Hazard , General Average, Salvage, Wages and maintenance $\frac{3}{4}$ th Collision liability (only $\frac{3}{4}$ of the loss will be borne by insurer the rest should be borne by insured only) , Barratry etc.

g. Some general exclusions are :- War, Strikes, Malicious act , Nuclear risks (Again it

depends whether they want to cover or not)

h. Other than the above exclusions there are certain other types of losses which insurer will not cover like :-

- + 1/4th collision liability (they will cover only 3/4th, this is the remaining ¼ th exposure)
- + Loss of life and personal injury.
- + Damage to harbours, wharves and other objects.
- + Removal of wreck. (Meaning: A ship' wreck is left in the sea)
- + Quarantine expenses- Due to communicable diseases , sometimes ships are not allowed to enter into the port. Till that time the ship has to keep itself on water. They put a yellow flag on the ship meaning 'Quarantine ship' which means the ship passengers or crew members are affected by a disease. Ports also have such flags when, city is infected with disease and the ship is stopped from entering the port.
- + Shipwreck indemnity to crew members.
- + Liability to cargo.(If something happens to cargo due to fault of ship , the ship owner giving money to cargo owner)
- + Other interests not covered by hull underwriters.

The losses listed above are not covered by any insurance hull underwriter but they are covered by P & I clubs.

i. Sum assured :- All Hull policies – time and voyage both are valued policies. However, some policies (all risks policy) are unvalued. They are valued on a ball point figure and a cap is fixed as sum insured. Depending on their indemnity figure they get their losses compensated.

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