
Graduate Certificate in Advanced Maritime Law

Law of Marine Insurance Claims

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Key Terms and Vocabulary

The Law of Marine Insurance Claims is a crucial aspect of maritime law that governs the process of handling claims related to marine insurance policies. Understanding the key terms and vocabulary associated with marine insurance claims is essential for individuals working in the maritime industry, particularly those involved in the processing and adjudication of insurance claims. In this guide, we will explore important terms and concepts that are fundamental to the Law of Marine Insurance Claims.

Marine Insurance

Marine insurance is a type of insurance that provides coverage for risks associated with maritime activities, such as the transportation of goods by sea. It protects against losses or damages that may occur during the voyage, including perils like piracy, collisions, and natural disasters. Marine insurance policies typically cover both the cargo being transported and the vessel itself.

Insurance Policy

An insurance policy is a contract between the insurer (the insurance company) and the insured (the policyholder) that outlines the terms and conditions of coverage. The policy specifies the risks covered, the premium to be paid, the duration of coverage, and the process for filing and settling claims. In the context of marine insurance, the policy will detail the specific risks that are covered during the voyage.

Insurer

The insurer is the insurance company that provides coverage under the insurance policy. The insurer agrees to compensate the insured for covered losses in exchange for the payment of premiums. In the case of marine insurance, the insurer assumes the risk of potential losses or damages that may occur during the voyage.

Insured

The insured is the individual or entity that purchases the insurance policy and is covered under its terms. The insured pays premiums to the insurer in exchange for protection against specified risks. In the context of marine insurance, the insured party may be the owner of the vessel, the cargo owner, or another party with an insurable interest in the voyage.

Perils of the Sea

Perils of the sea refer to risks or dangers that are inherent in maritime activities and are beyond the control

of the parties involved. These perils can include storms, collisions, piracy, theft, and other unforeseen events that may result in losses or damages. Marine insurance policies typically cover perils of the sea unless specifically excluded.

Insurable Interest

Insurable interest is a fundamental principle of insurance that requires the insured to have a financial stake in the insured property or subject matter. In the context of marine insurance, the insured must demonstrate a legitimate interest in the voyage or cargo being covered by the policy. Without insurable interest, the insurance contract may be deemed invalid.

Claim

A claim is a formal request made by the insured to the insurer for compensation for a covered loss or damage. The claim process involves providing documentation of the loss, assessing the extent of the damage, and negotiating a settlement with the insurer. In the context of marine insurance, claims may arise from events such as cargo damage, vessel collisions, or liability claims.

Surveyor

A surveyor is a qualified professional who is appointed to assess the extent of damage or loss in marine insurance claims. Surveyors play a crucial role in the claims process by conducting inspections, documenting the damage, and providing expert opinions on the cause and extent of the loss. Their reports help insurers evaluate the validity of claims and determine the appropriate compensation.

General Average

General average is a legal principle in maritime law that allows for the equitable sharing of losses among all parties involved in a common maritime adventure. When sacrifices are made or expenses incurred to prevent a greater loss to the voyage, the costs are shared proportionally by the shipowner, cargo owners, and other parties with a financial interest in the voyage. General average contributions are typically covered by marine insurance policies.

Particular Average

Particular average refers to losses or damages that are borne by a specific party in a marine insurance claim. Unlike general average, particular average losses are not shared among all parties involved in the voyage but are instead the responsibility of the individual or entity that suffers the loss. Marine insurance policies typically cover particular average losses, subject to the terms and conditions of the policy.

Salvage

Salvage refers to the act of rescuing or recovering property that is in danger or distress at sea. Salvage operations may involve towing a disabled vessel, extinguishing a fire, or preventing a ship from sinking. Salvors who provide salvage services are entitled to compensation, known as salvage awards, which are typically covered by marine insurance policies as part of the claim settlement process.

Warranty

A warranty is a specific condition or promise included in an insurance policy that must be strictly adhered to by the insured. Failure to comply with a warranty may result in the policy being voided or the insurer denying a claim. In the context of marine insurance, warranties may relate to the seaworthiness of the vessel, the condition of the cargo, or other factors that impact the insurability of the voyage.

Fraudulent Claims

Fraudulent claims are false or exaggerated claims made by the insured in an attempt to obtain undeserved compensation from the insurer. Fraudulent claims are a serious issue in the insurance industry and can lead to legal consequences for the party making the false claim. Insurers have mechanisms in place to investigate and prevent fraudulent claims, including the use of surveillance, forensic analysis, and legal action.

Subrogation

Subrogation is a legal principle that allows an insurer to step into the shoes of the insured and pursue recovery from a third party who is responsible for causing the loss. When an insurer pays a claim on behalf of the insured, it may seek to recover the amount paid from the party at fault, such as a negligent shipowner or a third party that caused the damage. Subrogation rights are typically included in marine insurance policies to protect the insurer's interests.

Arbitration

Arbitration is a method of resolving disputes outside of the court system, in which an impartial third party (arbitrator) is appointed to hear the arguments of both parties and render a decision. Arbitration is commonly used in marine insurance claims to address disagreements between the insured and the insurer regarding claim settlements, coverage disputes, or other issues. Arbitration offers a more efficient and cost-effective alternative to litigation.

Time Bar

A time bar is a legal deadline or limitation period within which a claim must be filed or a legal action must be initiated. Failure to comply with the time bar may result in the claim being barred or the legal action being dismissed. In marine insurance claims, time bars are specified in the insurance policy and must be adhered to by the insured when filing a claim. Time bars help ensure timely resolution of claims and prevent undue delays in the claims process.

Concurrent Causation

Concurrent causation is a legal doctrine that addresses situations where multiple causes contribute to a single loss or damage. In marine insurance claims, concurrent causation may arise when two or more perils of the sea combine to cause a loss, such as a storm and a collision leading to the sinking of a vessel. Insurers must determine the extent to which each cause contributed to the loss and apportion liability accordingly.

Indemnity

Indemnity is a fundamental principle of insurance that aims to restore the insured to the same financial position they were in before the loss occurred. Under the principle of indemnity, the insurer agrees to compensate the insured for covered losses up to the policy limit, without providing a windfall or profit. Indemnity ensures that the insured is not financially disadvantaged by the occurrence of an insured event.

Limitation of Liability

Limitation of liability is a legal concept that restricts the amount of damages that a party may be required to pay in the event of a loss or damage. In marine insurance claims, limitation of liability clauses in the insurance policy may cap the insurer's liability to a specific amount or limit the types of losses that are covered. Limitation of liability provisions help insurers manage their financial exposure and mitigate risks.

Third-Party Liability

Third-party liability refers to the legal responsibility of a party for damages or losses incurred by a third party. In the context of marine insurance claims, third-party liability coverage protects the insured against claims brought by third parties for injuries, property damage, or other losses resulting from the insured's actions. Third-party liability coverage is a common feature of marine insurance policies to address the risks of liability claims.

Excess Coverage

Excess coverage is additional insurance coverage that extends beyond the primary policy limit and provides additional protection against losses or damages. In marine insurance claims, excess coverage may be purchased by the insured to increase the level of coverage beyond what is provided by the primary policy. Excess coverage kicks in after the primary policy limit has been exhausted, providing an extra layer of protection.

Right of Recourse

The right of recourse is the legal right of an insurer to seek recovery from a third party who is responsible for causing a loss covered by the insurance policy. When an insurer pays a claim on behalf of the insured, it may exercise the right of recourse to recover the amount paid from the negligent party or another responsible entity. The right of recourse helps insurers recoup their losses and hold accountable those who are at fault.

Loss Adjuster

A loss adjuster is a professional appointed by the insurer to assess and adjust insurance claims on behalf of the insurer. Loss adjusters play a crucial role in the claims process by investigating the circumstances of the loss, evaluating the extent of the damage, and determining the appropriate compensation to be paid. Loss adjusters act as impartial experts who help ensure fair and accurate claim settlements.

Force Majeure

Force majeure is a legal term that refers to unforeseeable circumstances or events that are beyond the control of the parties and may excuse them from fulfilling their contractual obligations. In the context of marine insurance claims, force majeure events such as natural disasters, political unrest, or acts of war may impact the validity of claims or the ability of parties to fulfill their obligations under the insurance policy. Force majeure clauses in insurance contracts provide a mechanism for addressing such situations.

Conclusion

Understanding the key terms and vocabulary of the Law of Marine Insurance Claims is essential for navigating the complex world of maritime insurance. By familiarizing yourself with these important concepts, you can better comprehend the nuances of marine insurance claims, effectively manage risks, and ensure fair and timely resolution of insurance disputes. Whether you are an insurer, insured party, loss adjuster, or legal professional, a solid grasp of these terms will enhance your ability to navigate the intricacies of marine insurance claims and contribute to successful claim outcomes.