

Glossary of Terms

Abandonment

Giving up the proprietary rights in insured property to the Underwriter in exchange for payment of a constructive total loss.

Actual Total Loss

An actual total loss occurs when (1) the insured property is completely destroyed or (2) the Assured is irretrievably deprived of the insured property or (3) cargo changes in character so that it is no longer the thing that was insured or (4) a ship is posted "missing" at Lloyd's, in which case both the ship and its cargo are deemed to be an actual total loss.

Assignment

The passing of beneficial rights from one party to another.

Benefit of Insurance Clause

A clause by which the bailee of goods claims the benefit of any insurance policy effected by the cargo owner on the goods in care of the bailee. Such a clause in a contract of carriage, issued in accordance with the Carriage of Goods by Sea Act, is void at law.

Bill of Lading

Contract of carriage between shipper and steamship company which is the ship owner's receipt for the goods and is the document of title to them.

Certificate of Insurance

A document prepared by the insured, the producer, or the insurance company to provide evidence of insurance to the buyer or bank for an export/import shipment. The certificate contains an abstract of the more important conditions in the policy.

Consignee

Individual or company to whom cargo is shipped or consigned.

CTL (Constructive Total Loss)

An instance in which the cost of recovering and/or repairing damaged goods would, when recovered or repaired, exceed the insured value.

Declaration

Form filled out by assured and sent to the insurance company when reporting individual shipments coming within the terms of an Open policy.

Disclosure

The duty of the Assured and his broker to tell the Underwriter every material circumstance before acceptance of the risk.

Duty of Assured Clause (Cargo)

This appears in the Institute Cargo Clauses published for use with the MAR form of policy. It directs the attention of the Assured, his agents, etc. to the duty (as required by the MIA, 1906) to take reasonable measures to avert or minimise any loss which is recoverable under the policy; also to ensure that all rights against carriers and others are properly preserved and exercised. Underwriters agree to reimburse the Assured for any reasonable expenditure incurred by his compliance with the clause; in practice, these expenses are termed "sue and labour" charges (which see).

FPA

Free of particular average.

Franchise

A provision in freight insurance conditions which exempts the insurer from particular average losses, in any one accident, under 3%. The provision is waived if the loss is caused by fire, or by the ship stranding, sinking or being in collision.

Freight

The remuneration earned by a shipowner or manager for the carriage of goods; including the profit derived from carrying his own goods.

General Average

Loss resulting from a voluntary sacrifice of any part of the vessel or cargo, or an expenditure to safeguard the vessel and the rest of the cargo. When such a loss occurs, it is paid on a pro rata basis by the ship owner and all cargo owners.

General Average Contribution

The proportion paid or payable by a saved interest involved in a general average act.

General Average Deposit

Paid by a consignee to obtain release of the cargo from the carrier following a general average act. This may be replaced by an Underwriter's guarantee.

General Average Guarantee

An undertaking by Underwriters to pay the contribution due from a cargo assured on completion of the general average adjustment.

G.A. in Full

An agreement in a cargo insurance whereby Underwriters do not reduce a claim for general average contribution in event of underinsurance.

General Exclusions Clause

A clause in the Institute Cargo Clauses 1982, which specifies risks that are excluded, irrespective of the risks covered elsewhere in the wording.

Good Faith

A basic principle of insurance. The Assured and his broker must disclose and truly represent every material circumstance to the Underwriter before acceptance of the risk. A breach of good faith entitles the Underwriter to avoid the contract. (Proposed changes in law may affect this definition.)

Institute Cargo Clauses (ICC)

There are three basic sets of these clauses (A, B and C). The A clauses cover "all risks", subject to specified exclusions. The B and C clauses cover specified "risks", subject to specified exclusions.

Inherent Vice

A property in cargo which causes, or is liable to cause, loss or damage to the cargo, without any accident occurring (e.g. spontaneous combustion). It is always excluded by the insurers of the cargo because of its inevitable nature.

Insurable Interest

It is illegal for anyone to insure without an insurable interest or, in the case of marine insurance, a reasonable expectation of acquiring such interest. In general one has such interest when his relationship to property at risk may expose him to loss or liability where he stands to gain by the safety of such property.

Insured Value

Usually computed by adding the invoice cost, guaranteed freight, other costs, and insurance premium plus a percentage, commonly 10%. This usually represents landed value.

Invoice

Document which shows the terms of sale; contains full description of goods, sale price, charges, discounts, etc.

Jettison

Voluntary dumping either of cargo or of ship's material or stores overboard, to protect other property from a common danger.

Known Loss

A loss known to one or both parties when a broker and Underwriter are negotiating a placing.

Landed Value

Wholesale market value at destination on final day of discharge.

Malicious Damage Clause

A clause published by the Institute of London Underwriters for use in a cargo policy that is subject to the Institute Cargo Clauses (1982) B or C. It adds the risks of malicious acts, vandalism and sabotage to the cargo policy.

Marine Surveyor

Specialist who determines the nature, extent and cause of loss and/or damage.

Masters Protest

Sworn statement by captain describing any unusual happening during the voyage.

Overage

An additional premium charged on a cargo open cover declaration because the carrying vessel is outside the scope of the classification clause.

Particular Average

Partial loss sustained by goods insured.

Peril

A term used in the Marine Insurance Act (1906) to denote a hazard. The principle of proximate cause is applied to an insured peril to determine whether or not a loss is recoverable. In modern practice the term "risk" often replaces "peril".

Proximate Cause

The most direct cause of loss, that is, the most effective and dominant cause in a chain of events which ends in the loss.

Recovery

Amount recovered from a third party responsible for a loss on which a claim has been paid.

Replacement Clause

A clause limiting Underwriters' liability for damage to machinery cargo.

Risk

A fortuity. It does not embrace inevitable loss. The term is used to define causes of loss covered by a policy.

Salvage Charges

The award due to a salvor for services rendered in saving the insured property.

Salvage Loss

Occurs when the Underwriter agrees to settle a cargo claim by paying the difference between the insured value and the proceeds realised by selling the damaged goods.

Schedule

A list attached to a slip, open cover, policy or other document, usually detailing the rates of premium for various voyages, interests and risks.

Seaworthiness Warranty

There is an implied warranty in every voyage policy that the ship must be seaworthy at the commencement of the insured voyage or, if the voyage is carried out in stages, at the commencement of each stage of the voyage. To be seaworthy, the ship must be reasonably fit in all respects to encounter the ordinary perils of the contemplated voyage, properly crewed, fuelled and provisioned, and with all her equipment in proper working order. Cargo policies waive breach of the warranty, except where the Assured or their servants are privy to the unseaworthiness.

Security

The Underwriters subscribing a risk.

Subrogation

The right of the Underwriter to step into the shoes of the Assured following payment of a claim to recover the payment from another party who was responsible for the loss. Limited to the amount paid on the policy.

Sue and Labour (Marine)

Expenses incurred by the Assured or their representatives with the intention of preventing or minimising a loss for which the Underwriter would have been liable. They do not include expenses incurred in general average or salvage acts; these being recoverable under the policy only as part of the Underwriters' liability for contribution to general average or salvage, if any. Sue and labour charges are recoverable under a policy that incorporates a sue and labour clause (SG policy), or in accordance with the wording of the policy (e.g. under the "duty of the Assured" clause attached to a MAR policy).

Terms of Sale

Usually coded by an Inco Term which defines the conditions setting forth the obligations of the seller and buyer

Total Loss

This can be actual total loss or constructive total loss.

Transit Clause

A clause in the Institute Cargo Clauses, specifying the attachment and termination of cover.

Valuation Clause

Provides basis for determining insured value of a shipment under the Open Cargo policy.

Waiver Clause

A clause which entitles both Underwriter and Assured to take measures to prevent or reduce loss without prejudice to the rights of either party.

Warranty

An undertaking by the Assured whereby he promises to comply with the terms of the warranty. Non-compliance constitutes breach of warranty and the Underwriter is discharged from liability as from the date of the breach. Breach of warranty may be excused in certain circumstances, or where the breach is held covered under the policy conditions.

Without Prejudice

The claim is paid on this occasion, although the Underwriter feels it does not attach to the policy, but this action must not be treated as a precedent for future similar claims.