



**JUSTICE BASHEER AHMED SAYEED COLLEGE FOR WOMEN
(Autonomous) Chennai 18.
S.I.E.T.**

**DEPARTMENT OF ECONOMICS
PRINCIPLES OF INSURANCE
UNIT-IV**

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FUNDAMENTAL PRINCIPLE OF MARINE INSURANCE

- **Features of General Contract**
- It comprises offer, acceptance, lawful consideration and issue of policy. Broker prepares the slip after getting ship owner instructions, merchant or other proposers. The premium is the consideration. The broker then sends the cover note with the terms and conditions of the insurance.

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- **Principle of Insurable Interest**

- According to this principle, it is necessary for the policyholder to have some insurable interest in the subject for which he/she wants to buy insurance. It means, the policyholder should be benefitted from the safe arrival of goods and should suffer losses due to damage of goods. It might happen that the policyholder doesn't have an insurable interest at the time of buying a marine insurance policy, however, he should expect getting such interest in the future. It is necessary that the policyholder must have some insurable interest in the insured item otherwise he will not be able to get the claim settled from the insurer.

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- **Case:** Last year, K.M Manufacturing bought a marine insurance policy for the consignment which it was sent to Sri Lanka. Now, once the consignment reached the destination, the insurer's liability also ended at that point. As K.M Manufacturing had an insurable interest in consignment, it bought marine insurance but as soon as goods reached the destination, its insurable interest was over and therefore, the marine insurance company was not liable to pay for any losses or damages which happened to goods after delivery.

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- **Principle of Utmost Good Faith** The marine insurance policy relies on the principle of utmost good faith, which clearly states that at the time of filling the marine insurance policy document, the applicant should disclose the correct information. Also, the applicant would not withhold any material information. If the applicant conceals or hides important information, the marine insurance company has all rights to reject the policy application.
- **Case:** L.S Fashion is planning to buy a marine insurance policy. It means, the company should disclose all the material information about its current state. In case L.S Fashion hides material information, the marine insurance company has all rights to reject the policy application. Even if at the time of the claim, the insurer finds out that L.S Fashion hides material facts, it can reject its policy application form.

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- **Principle of Indemnity** As per this principle, the marine insurance policyholder would be compensated only to the extent of the loss. It means, the person should not purchase marine insurance to earn profits. In any case, the policyholder will not get more than the actual loss incurred.
- **Case:** As M.K Tech has a vast base of clients which spread around the world, the company has purchased marine insurance to get coverage in case something goes wrong. The total cover available under the policy is Rs 50 lakh. It means, M.K Tech will not get more than the loss even if the sum insured is more than the loss. It means, if the loss is of Rs 20 lakh, M.K Tech will not get more than the actual loss, i.e., Rs 20 lakh, even when the total cover is Rs 50 lakh.

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- The following parties may be said to have insurable interest.
- (a) Cargo owners on their cargo to be shipped
- (b) Ship owner on his ship
- (c) Shipping company on their freight receivable
- (d) An insurer on the insured properties for reinsurance
- (e) Captain and crew in respect of their wages and salaries

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SUBROGATION

In the marine insurance whether the loss is total or partial the insurance are subrogated at to all the rights and remedies of the insured. They cannot recover more than what they have paid . If the insured consider his ship not worth while to repair it because the cost of the would exceed the value of the ship after repair he may abandon the ship to the insurer and claims the sum insured on the basis of constructive total loss. If it is possible to sell the damaged ship with the without repairs for the more than the insured value, of the insurers can make and the retain the profit.

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- Warranty is strictly enforced because of the a breach of the warranty ends a contract. There are two classes of warranty.
- **(a)EXPRESS WARRANTY;** An express warranty is one of which is expressed or written on the face of the policy itself and imposes some obligations upon the insured. Compliance of such a warranty is essential for a contract. For example, package in containers of a standard size.
- **(B)IMPLIED WARRANTY;** An implied warranty is always by nature to the contract of marine insurance, but need not be definitely expressed in writing on the face of the policy,

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- **Principle of Cause Proxima**

- At the time of loss, the marine insurance policyholder would consider the nearest or proximate cause, which would help in deciding the actual cause of loss when there would be a series of causes which have attributed to the loss.
- **Case:** Rats punctured a cargo ship because of that water entered and damaged the cargo. Now, here are two main causes for the cargo damage-
 - (i) the cargo ship got punctured due to rats
 - (ii) the sea water entered the ship through holes.

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