

Marine Insurance

Insurance is very important for all boat owners. Whether the boat is used commercially or recreationally, insurance is always recommended if practicable.

There are three main insurance types:

- Hull and machinery insurance - relates to the vessel, its equipment and machinery, and will cover damage to the vessel.
- Liability insurance (also known as P&I insurance) - covers the vessel's third-party liability and also any salvage claims.
- Loss of income insurance - protects interests in the income derived from the vessel.



Hull and machinery insurance

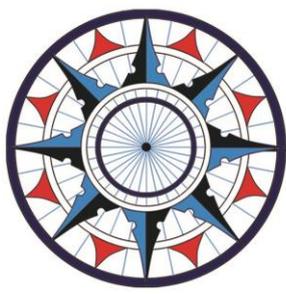
Hull and machinery insurance covers the interest in the vessel itself as property. It primarily applies to damage to and loss of property. A basic principle of hull and machinery insurance is that the insured value cannot be greater than the market value of the vessel, this is known as over insurance. Hull and machinery insurance covers certain risks and the damage that they cause, but **not** all damage. For example, it is common for a H&M policy to cover marine risks such as:

- Perils of the sea,
- Fire,
- Jettison,
- Natural disasters.

As such, any damage resulting from these risks will be covered, but the same damage caused by another risk will not be covered. For example, war risks are not generally covered by the same insurance policy. As such, fire damage from a collision will be covered, however, fire damage resulting from an abandoned war weapon (such as a sea mine) will not be covered. There is an additional element of liability included in hull insurance, this is thanks to the long historical origins of maritime law. Hull insurance will cover collision liability up to the insured value of the hull. So, it is H&M Insurance that covers collisions, and not liability insurance as you might expect.

In addition to H&M insurance, hull interest insurance can be purchased as a separate product. Hull interest insurance covers the total loss of the vessel. Total loss is a rarer occurrence than damage to the hull, and thus it can be purchased separately with a different premium and excess (known as a deductible in marine insurance).





Liability Insurance

A small amount of liability is covered by the hull insurance, but third-party liabilities can very quickly exceed the value of the vessel. Liability insurance will provide protection against third party liabilities incurred by the vessel. Some examples may include;

- Personal injury or loss of life,
- Third party property damage,
- Liability due to a collision,
- Removal of wreck,
- Salvage operations,
- Civil liabilities accrued due to pollution or oil spills.

Liability insurance is particularly important as the costs of salvage, wreck removal and oil spills, and other liabilities can very quickly amount to costs several times the value of the vessel. Legislation in Queensland requires that all ships over 15m in length have this type of insurance with coverage beginning at \$250,000 for pollution clean-up and \$10,000,000 for salvage and wreck removal. The type and length of the vessel determines the insurance policy requirements.

Loss of Hire Insurance



Loss of hire insurance covers the income derived from the vessel and is therefore relevant to commercial vessels. Should the vessel suffer damage that is claimable under the hull insurance policy, then this insurance will typically provide compensation for loss of hire of the vessel, freight, and any other income that is lost.

There are two requirements for loss of hire insurance:

1. The loss of hire must result from damage that would be a covered peril under the hull and machinery policy, and
2. The loss of hire must have resulted in actual loss of income.

Loss of hire insurance is important for vessels financed by bank loan. It will provide cover for income allowing payment to be made on the bank loan even at times when the vessel is unable to be operated.

Marine risks and war risks

Insurance policies will distinguish between cover for marine risks and war risks. These two types of cover operate differently and cover different risks.

Marine Risks

Basic inclusion in all regular insurance policies,

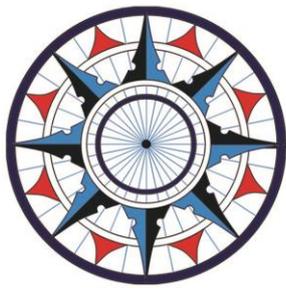
Inclusive of all marine risks,

War risks

Excluded from regular insurance policies,

Includes only specifically listed risks,





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Any exclusions must be expressly stated,

Policy will cover for example: collisions between ships or other objects, negligent navigation, jettison, stranding.

Any risks not expressly stated are presumed excluded,

Policy will cover for example: intervention of a foreign state power, terrorism, war risks, derelict weapons of war.

War risks are often specifically excluded from marine insurance policies, but some insurance providers will include them in general hull and machinery insurance. It is important to read the policy and if it is not clear – raise this with the provider.

Conclusion

The insurance you require will depend upon a variety of factors including, but not limited to;

- The type of vessel,
- How you will use it,
- Where you will use it, or take it,
- Whether it is a commercial or recreational vessel.

Regardless of the vessel you have, it is important to have appropriate insurance, and a suitable policy.

- Read the policy,
- Question your provider on any concerns, and
- Check the excess required and the insured vessel value.



For further questions and concerns contact us, we can help with anything from a quick chat to full consultation.



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