

国际贸易实务(双语版)

Chapter 10

Cargo Transportation Insurance



Learning Objectives

- Realize the perils and losses in ocean transport
- Learn the three basic insurance coverage and additional insurance coverage under C.I.C.
- Understand the ways of preparing the application form of insurance.
- Understand the ways of stipulating insurance clauses in sales contract



Teaching Plan 1

Teaching Contents

1. Brief introduction to insurance
2. Section 1 Cargo insurance
3. Risks, Losses and Expenses

Teaching time: Two-class hour (90 minutes)

Learning Objectives

1. Understand the basic concepts related to insurance and cargo insurance
2. Master the marine risks, losses and expenses

Important Points:

1. The basic concepts related to insurance and cargo insurance
2. Marine risks, losses and expenses



Teaching Plan 1

Difficult Points:

Marine risks, losses

Teaching Methodology:

Questions and Answers; Presentation; Group discussion; Case analysis

Teaching Aids:

PPT, blackboard, multimedia classroom



Brief introduction to Insurance



1. *What is insurance?*



Insurance

Insurance is a process for spreading risks, so that the burden of any loss is borne not by the unfortunate individual directly affected but by the total body of person under consideration. In return for a payment as a premium paid by the insured, an insurance company will agree to compensate the insured person in the event of losses during the period of insurance.



Insurance

There are many kinds of insurance in the society, such as life insurance, property insurance, insurance against accidental injury, diseases , social insurance and so on.

Social insurance

Endowment insurance

Medical insurance

Unemployment insurance

Employment injury insurance

Maternity insurance

Housing fund

2. Cargo Transportation Insurance

As we have previously talked about, there is usually a long distance between the seller and the buyer in international trade. No matter which mode of transport has been chosen, all kinds of risks or perils may appear and cause certain loss of or damage to the goods at each stage of their journey. **In order to minimize the financial losses, importers or exporters usually change the uncertain risks into fixed charges by effecting insurance.** If any unfortunate incidents within the coverage of the insurance occurred, the insured would be compensated with certain amount of money.



1) Definition of Cargo Transportation Insurance

Cargo transportation insurance is a contract whereby the insurer (insurance company), on the basis of premium, undertakes to indemnify the insured against loss from certain risks or perils to which the cargo insured may be exposed. It is an indispensable adjunct of international trade.

2) Types of cargo transportation insurance

Ocean marine transportation insurance

Overland transportation insurance

Air transportation insurance

Parcel post transportation insurance



3. Basic Concepts in Insurance

1) Subject matter insured 保险标的

Subject matter insured refers to the thing, item, and subject that the insurance is insured. It can be visible or invisible.

2) Insurer 保险人

The insurer, also called underwriter, is the party to an insurance arrangement who undertakes to indemnify for losses or provide service, which usually indicates the insurance company or the individuals who run an insurance firm. The following are some common insurers in China: PICC: The People's Insurance Company of China

3 Basic Concepts in Insurance

3) The Insured 被保險人 and Insurance Applicant 投保人

The insured is the party who is insured against losses and to whom the compensation is made. It usually refers to the owner of the goods.

Insurance applicant is the party who applies for insurance and pays the premium.

Section 1 Marine Insurance

Marine insurance is defined as a contract of insurance whereby the insurer (insurance company) in return for premium collected undertakes to indemnify the insured in a manner and to the extent thereby agreed, against marine losses.



Section 2 Risks, Losses and Expenses

I. Risks

Ocean transport is the most common way of transportation in international trade. However, it is greatly possible to have perils and risks in the ocean. In order to protect the importer and exporter against the financial loss, marine (cargo) transport insurance is undertaken. The perils and risks of the sea are usually classified into Marine Perils and Extraneous Risks.



I. Risks

1. Marine perils 海上风险

Marine perils refer to those dangers and risks which are beyond the control of the captain when the vessel is traveling among the ocean. Thus, to decide whether the carrier is responsible for the damage depends upon the nature of the loss. If there was no negligence of the captain, the carrier could probably not be held responsible for the compensation. The marine transport insurance whereby is available to cover the losses which is caused by marine perils.

Marine perils are divided into two types: natural calamities and fortuitous accidents



I. Risks

1) **Natural calamities** 自然灾害

Natural calamities are such perils under force majeure covering bad weather, thunder and lightning, flood, floating, drift ice, earthquake, tsunami and other irresistible disasters.

I. Risks

2) Fortuitous accidents 意外事故

Fortuitous accidents mainly include stranded , striking a rock, sunk, collide , fire, exploding and missing and other accidents at sea.

I. Risks

2. Extraneous risks 外来风险

Extraneous risks are the risks out of marine peril, including:

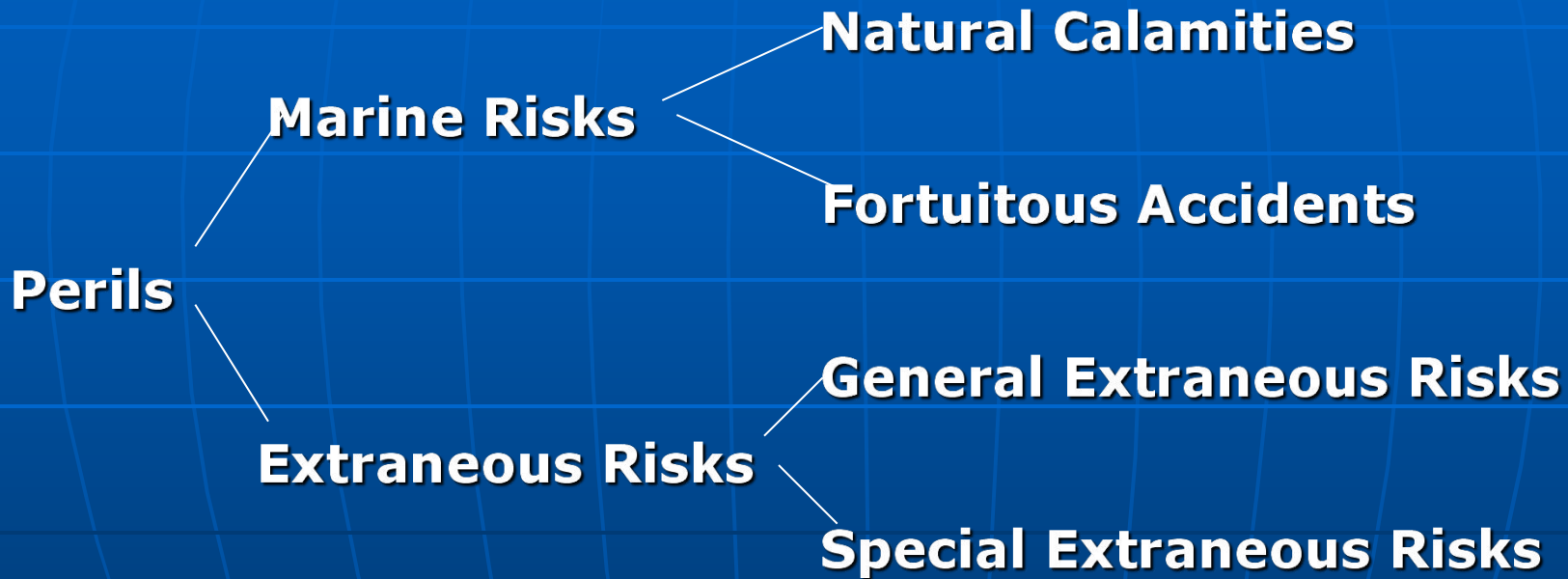
(1) General extraneous risks 一般外来风险

The general extraneous risks are risks caused by theft, rain, leakage, shortage, breakage, dampness, heating, and mildewing, taint of odor, hooking, rusting, etc.

(2) Special extraneous risks 特殊外来风险

Special extraneous risks refer to risks due to military affairs, political and administrative rules such as war, strike, failure of delivery, rejection, etc.

I. Risks



II. Losses (Average)海上损失

Average means loss sustained in ocean transportation. It can be divided into total loss and partial loss to the extent of losses.

1. Total loss 全部损失

(1) Actual total loss 实际全损

A loss is an actual total loss if the subject-matter insured is destroyed or is so damaged as to cease to be a thing of the kind insured or if the insured is irretrievably deprived of the subject-matter. Also, where a ship engaged in a marine adventure is missing and no news of the ship is received within a reasonable period, an actual total loss may be presumed.



II. Losses

(2) Constructive total loss 推定全损

Unless a marine policy otherwise provides, a loss is a constructive total loss if the subject-matter insured is reasonably abandoned because the actual total loss of the subject-matter appears unavoidable or the preservation of the subject-matter from actual total loss would entail costs exceeding its value when the costs are incurred.

An insured may treat a constructive total loss as a partial loss or may abandon the subject-matter insured to the insurer and treat the constructive total loss as an actual total loss.



II. Losses

The insured who elects to abandon the subject-matter insured to the insurer must give a notice of abandonment to the insurer with reasonable diligence after the insured receives reliable information of the loss. An insured who receives doubtful information of a loss is entitled to a reasonable time to make inquiries before giving a notice of abandonment within a reasonable time. Manner of giving notice may be oral or written, or partly oral and partly written, and in any terms that indicate the insured's intention to abandon unconditionally the insured interest in the subject-matter to the insurer. If an insured fails to give a notice of abandonment as required, the constructive total loss may be treated only as a partial loss.



II. Losses

2. ~~Partial loss~~ 部分损失

A partial loss is any loss that is not a total loss. Unless a marine policy otherwise provides, an insured who brings an action for a total loss but establishes only a partial loss may recover for a partial loss. A partial loss may be a particular average loss or a general average loss.

(1) General average loss 共同海损

A general average loss is a loss caused by or directly consequential on a general average act, and includes a general average sacrifice and a general average expenditure.



II. Losses

A general average act is any extraordinary sacrifice or expenditure, known as a general average sacrifice and a general average expenditure, respectively, that is **voluntarily and reasonably** incurred in time of peril for the purpose of preserving the property from peril in a common adventure. Subject to the conditions imposed by maritime law, a person who incurs a general average loss is entitled to receive from the other interested persons a ratable contribution, known as a general average contribution, in respect of the loss.



II. Losses

Subject to any express provision in the marine policy, an insured who incurs a general average expenditure may recover from the insurer in respect of the proportion of the loss falling on the insured; and an insured who incurs a general average sacrifice may recover from the insurer in respect of the whole loss, without having enforced the insured's right to contribution from other persons.

Subject to any express provision in the marine policy, an insured that has paid, or is liable to pay, a general average contribution in respect of the subject-matter insured may recover the contribution from the insurer.



II. Losses

Subject to any express provision in the marine policy, an insurer is not liable for a general average loss or a general average contribution, unless the loss was incurred for the purpose of averting, or in connection with the avoidance of, a peril insured against. Where any ship, freight and goods, or any two of them, are owned by the same insured, the liability of the insurer for a general average loss or a general average contribution shall be determined as if they were owned by different persons.



II. Losses

Thus, for there to be a general average act, certain criteria must be met. The act must fulfill the following requirement:

① There must be an “Extraordinary” sacrifice or expenditure which is made for the benefit of all the parties to the common adventure.

② The measures taken were deliberate and reasonable.

“Deliberate” means that the action of making a sacrifice is intentionally made on willingness.

“Reasonable” infers that the sacrifice should be considered to be effective and the most economical on the spot.



II. Losses

③ A loss may be claimed in general average act which caused that loss was carried “in time of peril”. The perils must be real and actually happen.

④ The sacrifice should be directly resulted from the general average act.

⑤ The actions of the ship’s master should be effective. If no property is saved, there would be no forthcoming contributions, because nobody has benefited from the general average act.



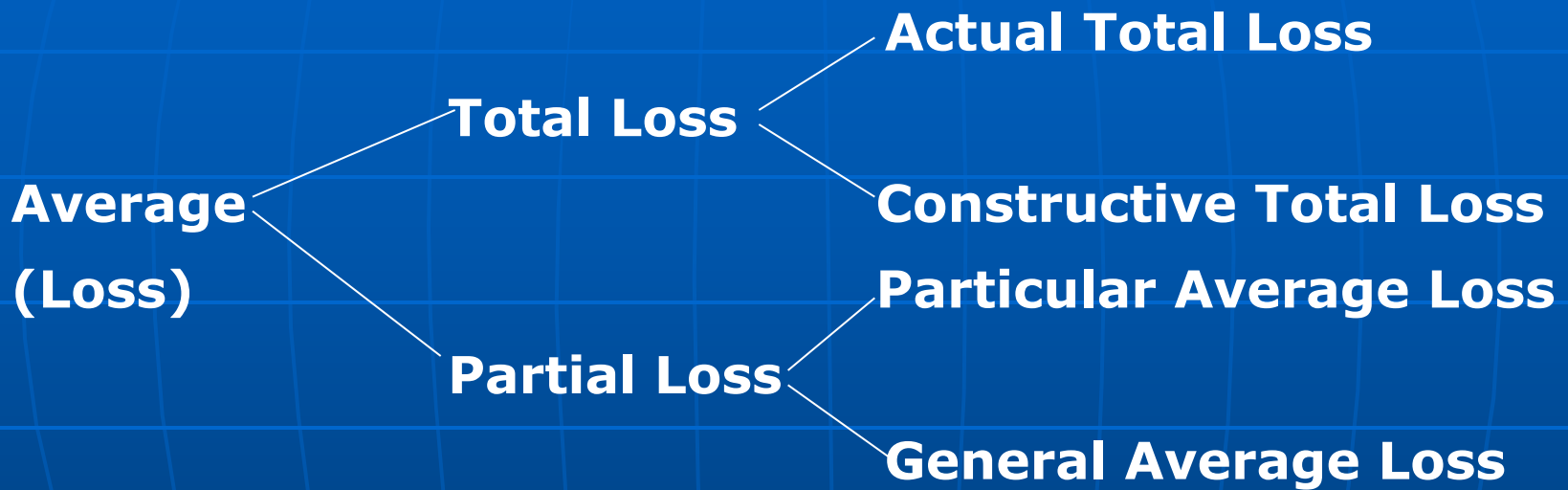
II. Losses

(2) Particular average loss 单独海损

A particular average loss is a loss of the subject-matter insured that is caused by a peril insured against and is not by the deliberate act of a person for common benefit, that loss must be sustained exclusively by the person upon whom the damage falls. It is an accidental damage to part of the cargo. For example, 20% of the rice was perished when the ship leaked.



II. Losses



III. Expenses

Ocean marine insurance also covers some charges incurred in reducing the loss of the subject matter insured either by the insured himself or a party other than the insurer and/or the insured. Other expenses such as sue and labor charge and salvage charges.

1. Sue and labor charge 施救費用

Sue and labor charges are expenses incurred by or on behalf of an insured for the purpose of preserving the subject-matter insured from a peril insured against. But unlike general average, sue and labor expenses are carried out specifically for the singular benefit of the subject matter insured not the common interest. Expenses incurred for suing and laboring are recoverable



III. Expenses

1. Sue and labor charge 施救费用

Sue and labor charges are expenses incurred by or on behalf of the insured, the employee and the consignee, etc. for the purpose of preserving the subject-matter insured from a peril insured against. But unlike general average, sue and labor expenses are carried out specifically for the singular benefit of the subject matter insured not the common interest. Expenses incurred for suing and laboring are recoverable.

III. Expenses

2. Salvage charge 救助費用

Salvage charges are charges recoverable under maritime law by a salvor independently of any contract, but do not include expenses incurred for services in the nature of salvage rendered by the insured or the insured's agent, or any person hired by the insured or the insured's agent, for the purpose of averting a loss by a peril insured against.





Thank You !