Elements of Marine Insurance and Their Policies

Difference Between a Railway Carrier and Steamship Carrier and Fire Policies and Marine Policies—Nature of Cargo Policies, Effect of Clauses and Adjustments of Loss.

Mr. B. G. D. Phillips, Vancouver manager of Dale & Co., Ltd., addressed the wholesale section of the Vancouver Board of Trade at a luncheon held at the Hudson's Bay Co. dining rooms on Tuesday, May 4th, on the subject of Marine Insurance. A resume of his talk follows:

The two most important documents in connection with a shipment of goods are the Bill of Lading and the Insurance Policy. The former giving the title to the goods and the latter protecting the assured in case of damage by sea perils.

The general idea that one gets upon reading a bill of lading is that whilst the ship owner agrees to carry goods from one point to the other, and makes conditions with regard to the payment of the freight, he takes care to provide, so far as it is possible to do so, that he shall not be held liable for any damage which may occur to the goods in transit. He is entitled to do this by reason of the fact that he is what is known as a "Contract Carrier," and in this connection, the difference between a "Common Carrier" and "Contract Carrier" may be noticed.

When a railway is to be built an Act of Parliament is passed authorizing it, and concessions of land are obtained in order that the line may be constructed. When it is completed it practically becomes a public utility, and the conditions under which it transports goods are laid down by the Railway Commission.

The railway bill of lading starts out with the words that the carrier shall be liable for all loss or damage, which may happen to the goods, with the exception of damage caused by the "Act of God," "Riots," "Strikes," and one or two other causes.

The steamship company, on the other hand, is usually a private concern financed by private capital, and does not obtain any concessions such as the railway company. They are therefore in the position of making their own contracts with regard to the carriage of goods, and these are only modified by law in certain instances. In the United States we have the "Harter" Act, a similar Act in Australia and the "Water Carriage of Goods Act" in Canada. The intention of all three Acts being the same, viz., to provide that the ship owner cannot contract himself out of liability for his own negligence.

The insurance policy covers goods against perils of the sea, and a mistake is often made by those who are insuring cargo in taking it for granted that the mere fact of insuring means that the underwriters are responsible for all damage which may happen to the goods in transit. Such, however, is very far from being the case. Just as there are different kinds of "Accident" and "Sickness" policies, the cost of which vary according to the risks covered, so there are different kinds of insurance policies, of which the same remarks are true.

The question is often asked underwriters, by those wishing to insure cargo, whether it is not possible for them to so insure the goods so that they may call upon Underwriters to pay any loss on arrival, no matter how it is caused. The answer to this is that it is "possible" to do so, but the assured usually finds that the cost of such insurance is more than he is prepared to pay. Moreover, as a rule, the regular insurance companies are more or less averse to giving insurance of this kind and it usually has to be obtained at Lloyds.

Before dealing with the different clauses of "Marine" insurance, two points may be noticed in which "Marine" insurance differs from "Fire" insurance.

If you have a shipment of goods for which you have paid say $1,000 and you figure that on arrival here they will be worth say $1,500, you are perfectly entitled to insure them for that amount. Suppose the market drops and as a matter of fact they would only be worth $750 on arrival, and for the sake of argument say the ship and cargo are totally lost by fire a day before they arrive at destination, the assured is entitled to recover the full face value of the policy, which in this particular instance would show a profit of $750. If these goods had been insured under a "Fire" policy all that the assured could recover would be the cost of replacing them, or say $750.

If you insure your house under a "Fire" policy for $5,000 and you have a loss of say $2,000, the policy is automatically decreased by that amount, and in order to reinstate it you have to pay an additional premium, but if you insure a ship for that amount you may have, during the year, three or four losses of $2,000, and end up with a total loss, for all of which underwriters would be liable, nor would they receive any further premium than the amount paid them when the policy was originally taken out.

"Marine" insurance on cargo may be divided into four classes:

First against the risk of "Total Loss." This is the form generally used in connection with insurance on cargo by scows, and the reason that underwriters are unwilling to give fuller cover is that the risk of part of a cargo washing overboard is very considerable, and the premium they want to cover this loss is probably more than the owner of the cargo would be willing to pay. There are, of course, cases in which this risk is covered, but the premium is naturally increased in proportion.

Secondly, what is known as an "F.P.A." policy, which is the most common form of "Marine" insurance, and apparently the least understood. There are two forms of "F.P.A." clause. First the English, which reads:

> "Free from Particular Average unless the vessel or craft be stranged, sunk, burnt, on fire or in collision—the collision to be of such a nature as may reasonably be supposed to have led to the damages claimed for."

The American form reads:

> "Free from Particular Average unless caused by the vessel being stranded, sunk or burnt."

A concrete example will best show the meaning of and difference between these two clauses, and by way of parenthesis it may be said that "Particular Average" simply means a partial loss or damage accidently caused to any particular interests as opposed to "General Average," which signifies an expense or sacrifice voluntarily incurred for the benefit of all interests at risk on board a vessel.

If you have a shipment of goods insured under an English "F.P.A." clause and the shipment arrives damaged by heavy weather, but the vessel was not stranded, sunk, burnt or in collision, or in insurance language the "F.P.A." warranty has not been broken, you have no claim on your underwriters. If, however, one of the above contingencies has occurred, even though it is not responsible for the damage, the "F.P.A." warranty is open and underwriters have to make good the loss. Under the American clause the loss, in order to be recoverable, has to be the direct result of the vessel being stranded, sunk, burnt or in collision, so that it will readily be seen that an assured should always take care to have the English clause in his policies.

The third form of insurance is known as "With Average" insurance—sometimes called "All Risks." The latter term, however, is misleading, as it does not mean what it says. A "With Average" policy includes all the conditions of an "F.P.A." policy, but in addition it provides that if the goods receive damage, which amounts, as a rule, to 3%