PRINCIPLES OF MARINE INSURANCE ESSENTIAL FOR THE EXPORTER AND IMPORTER.

Marine insurance, which is the most ancient form of protection, was a recognized business in the Fourteenth Century, and had its origin in the exporting and importing trade. Even at this early date the business men of the world realized the need of some form of protection. To-day marine insurance is one of the vital parts of our business machinery, and especially that portion which places at one's threshold commodities produced by his neighbour across the seas—commodities which are guarded by the export or import man from the point of production until they reach the consumer. Millions of dollars are invested by the exporter in transacting his business, and to protect his investment he has to establish credit. Then to protect the credit it is necessary to carry insurance.

Export and import shipments by large traders are usually covered under "open policies." An "open policy" is a contract between the insured and insurer, by which the underwriter agrees to insure all shipments, and the insured on his part agrees to report to the underwriter all shipments, and pay the premium thereon, as soon as in the ordinary course of business he is in receipt of the necessary shipping documents and can intelligently advise the underwriter what he wants insured. This "open policy," if properly worded, protects the trader against loss and damage to his goods from the time the shipment leaves the warehouse in the ordinary course of transit. This is often prior to the time the shipper has knowledge that the goods are at his risk. It is sometimes the case when handling a large volume of business that a shipment is overlooked.

In connection with export shipments, goods are handled under some form of contract, which among other terms and conditions, includes a clause as to payment. This is usually met by a letter of credit established through banking facilities. This letter provides for payment as soon as certain shipping documents, together with an insurance certificate, are presented to the bank where the credit has been established. One can readily see that without this insurance certificate to protect the bank in case of loss or damage to the goods the trader would be unable to collect against the letter of credit. The capital required to carry on the business of a large house under these conditions would be prohibitive.

It, of course, would be impossible for the shipper to present this "open policy" to the various banking institutions for collection against letters of credit; so, certificates are issued to cover each shipment. These certificates refer to the "open policy" by number, show the amount of insurance, commodity insured, point of shipment, destination, and the name of the vessel on which the goods are to be transported.

"The certificate of insurance" makes the claim payable to the holder thereof—provided it has been properly endorsed by the assured, and the claimant produces the necessary documents to confirm his ownership. It is not necessary to collect the claim at the point of shipment. A collection may be made at a designated office of the insurance company in the port or country to which the shipment is destined.

These certificates are stamped to show that the shipment is insured under "conditions as per open policy," and whether or not it is covered with or without average.

"Particular average" on a cargo is the damage from sea perils to the goods insured. This damage may result from fire, sea water, or breakage. It cannot be construed to mean all risks of breakage, rot, or inherent vice in the goods themselves, or from being spotted, mildewed, mouldy, musty, etc.—conditions accountable to the time ordinarily required for the shipment to reach destination. Policies usually contain a stipulation stating a particular average loss shall reach a certain percentage of the amount insured before a claim is collectible from the insurance company—usually 5 per cent. or 3 per cent. This provision is frequently modified to apply to a certain number of packages or division of the invoice. Sometimes it is made applicable to each case or shipping package.

"Free of particular average" on cargo insures the goods against total loss only. However, this clause is modified by the English conditions, which read as follows: "Free of particular average, unless the vessel be stranded, sunk, burned, or in collision;" or the American conditions reading "Free of particular average, unless caused by stranding, sinking, burning or collision." The difference in the two clauses being the words "caused by." Under the English terms, particular average claims are collectible as soon as the warranty has been opened, viz., if the vessel be stranded the warranty is opened and a particular average claim is collectible without regard to percentage irrespective, whether the damage is caused by stranding or other accident. Under the American conditions the particular average damage must be actually caused by the perils mentioned in the clause.

Certificates of insurance, in addition to being stamped "conditions as per open policy," together with the terms of average, frequently provide for special terms not included in the "open policy," and are dependent upon the commodity shipped. This form is used for insuring liquids against leakage, which amounts to 3 per cent., after deducting 1 per cent. for ordinary leakage.

Textile goods, men's and women's wearing apparel, rubber automobile tyres and tubes, and commodities of a similar nature are usually insured against loss by theft or pilferage. Theft means the loss of an entire package, while pilferage covers the breaking open and partial loss of a package. Goods subject to loss by breakage should be insured against "all risks of breakage."

In considering these special clauses it is understood, of course, that the regular marine premium is increased because of the additional protection. Many factors have to be considered by an underwriter in determining a rate for these special terms and conditions, such as: the nature of the goods insured, how packed, length of voyage, destination, etc. The method of packing is especially important when compiling a rate for breakage, theft and pilferage or leakage terms. The political and civic conditions of the country to which the goods are destined is another one of the many factors to be considered in connection with the theft and pilferage risk.

Unless the policy contains a clause stating that the property is insured against loss or damage caused by explosion "wheresoever and howsoever" occurring, a claim is not collectible for loss or damage as a result of an explosion. Very good examples of such loss were the disaster at Halifax during the past winter and the explosion at Black Tom, Jersey City, N.J., July 30, 1916. In view of the disaster at Halifax, various banking houses in New York City, through whom letters of credit are issued against clients in the Far East, recently issued a joint circular letter demanding that insurance certificates contain an explosion clause.

Another important risk to be considered in connection with marine insurance, aside from the nature, construction and class of the vessel on which the goods are to be carried—and one which does not occur to the layman—is the lighterage risk at port of loading and discharge. This risk in a harbour such as New York is very great on account of the enormous amount of traffic. Then there is the risk of barges and lighters sinking due to planks at and below the water line which may have been cut through as a result of towing the vessel through heavy fields of ice. Losses caused by ice were very numerous in New York harbour during the past winter.

The lighterage risk at destination must also be considered, owing to the lack of facilities for handling merchandise at various ports and the exposed position of some harbours in the event of a storm.

In arranging an "open policy" for the account of a large exporting and importing house it is necessary to consider risks and conditions applying at all points of the compass and commodities of every description.—Vulcan, New York.