

APPENDIX 1

Marine insurance: the London market and the institute clauses

LONDON MARKET

The term ‘London Market’ is commonly used to refer to all the international and United Kingdom insurance and reinsurance practitioners based in London. The market includes both Lloyd’s insurers, represented by the Lloyd’s Market Association (LMA), and individual companies represented by the International Underwriting Association of London (IUA). The IUA was formed in 1998 through the merger of the London International Insurance and Reinsurance Market Association and the Institute of London Underwriters (ILU). The IUA is the world’s largest representative organization for international and wholesale insurance and reinsurance companies. The IUA protects and strengthens the business environment for its member companies operating in or through London. The ILU’s involvement in the marine insurance market dates back to 1884.

The London Market is the only place in the world where all 20 of the world’s largest insurers and reinsurers are represented. Gross premiums on the market were estimated at £22 billion in 2004. Between 10 percent and 15 percent of the world’s large industrial insurance is placed on the market and, in certain key classes of business, such as marine, it is reported to be much higher.⁷²

INSTITUTE CLAUSES

In the 19th century, Lloyd’s and the ILU developed standardized clauses for the use of marine insurance. These have been maintained ever since and are known as institute clauses. The discussion on institute clauses in this section focuses on marine hull, including machinery, and cargo insurance.

HULL

The London market Joint Hull Committee (Lloyd’s Underwriters’ Association and IUA), in consultation with ship owning associations, insurers, average adjusters and brokers, developed International Hull Clauses (IHC), a new set of hull clauses. The IHC, which became effective on 1 November 2002, are not a major rewrite of the 1983 and 1995 Institute Time Clauses (ITC). Rather,

⁷² See www.iaa.co.uk/ and London market key facts. 1 October 2006. Published jointly by Lloyd’s Market Association and the International Underwriting Association (available at www.lmalloyds.com/)

the ITC have been updated to reflect current market practices and to support the International Safety Management (ISM) code, flag states and classification societies. The International Hull Clauses are divided into three parts: part one contains the principal insuring conditions; part two presents a range of additional clauses that were frequently required by assureds and added to ITC separately. Part three contains provisions for claims handling and sets out the rights and responsibilities of underwriters and assureds.⁷³

The Institute Time Clauses, which afford coverage for a specific period, (usually 12 months) are the most important clauses in marine hull insurance policies. Depending on the nature and degree of risks, there are three categories of ITC: (1) Institute Time Clauses (Hull) that provides maximum coverage (i.e. perils and other losses and expenses covered); (2) Institute Time Clauses (free partial average) that provides similar coverage to that of the Hull's clauses, but excludes coverage on machinery damages, and (3) Institute Time Clauses (total loss only) that provides coverage only in the event of a total loss. This is usually extended to old vessels.⁷⁴

CARGO

The Institute Cargo Clauses (ICC) define the risks covered, circumstances excluded, duration or validity of coverage and conditions of claims. Coverage is provided on an A, B, or C basis, A having the widest coverage and C the most restricted.⁷⁵

⁷³ Source: The Joint Hull Committee. 31 October 2002. Lloyd's. Press release No. 06/02. www.cedr.co.uk/library/articles/clauses_press_release.pdf

⁷⁴ Source: MAA Assurance: www.maa.com.my/MAA/ASPbin/Insurance/maaProduct.asp?ProdID=111

⁷⁵ Sources: www.export911.com/e911/ship/newInsti.htm and www.allcovered.net/AC-OM-MAIN-Cargo_Clauses.html Both provide details on each of the three classes and a comparison of the classes.

This publication provides an overview of the current status of capture fisheries insurance in the world. It presents the findings of a number of regional and national review desk studies carried out between December 2006 and January 2008 covering China, Japan and India in Asia, Europe, Africa, the United States of America in North America, South America, Oceania and the Russian Federation. A summary synthesis of the studies is included along with information about the insurance market, demand and supply issues, perils covered, vessels insured, risk management methods applied and underwriting experiences. It contains conclusions and practical recommendations for improvement of capture fisheries insurance services and for increasing access to and availability of fisheries insurance for small- and medium-scale fishers in developing countries.

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