The well-known insurance market known as “Lloyd’s of London”—which nowadays encompasses nearly all types of insurance—started in the late 17th century as a marine insurance market. Regardless of its relatively ancient origins, marine insurance remains an essential part of modern commercial business. With the continuing increase and dependence of the world economy on worldwide and marine trade, the need for marine insurance protection is greater than ever. It is an ideal time for companies to review their current policies and address known risks.

Based on input from Perkins Coie attorneys across the United States and Asia, here are some widely used policies and terms to help you in the risk assessment and policy review process.

**TYPES OF MARINE INSURANCE**

Historically, marine insurance meant property coverage for ships and cargo. In modern times, the definition of marine insurance has expanded to include several different kinds of coverages. In order to help you and your company navigate the challenges associated with marine insurance, we have highlighted some of the common marine insurance coverages that could protect your company. Note that although many of these coverages developed separately, nowadays several of them can be combined into a single marine insurance policy.

- **Ocean Cargo Insurance:** Ocean cargo insurance provides first party property coverage for damage to, or loss of, goods in transit, and it is generally but not necessarily limited to coverage for goods in transit at sea. This type of insurance typically compensates the owner of the goods. Historically, ocean cargo insurance ended when the ship docked at port. Thus, when the ship was unloaded, coverage was terminated.

- **Hull Insurance:** As its name implies, hull insurance provides coverage for damage to or loss of a ship. Like ocean cargo insurance, this is property insurance; unlike ocean cargo insurance, it typically compensates the owner of a ship, not the owner of the goods. Hull insurance policies also offer limited protection for the ship owner’s liability resulting from collision damage.

- **Protection & Indemnity (P&I) Insurance:** P&I insurance protects ship owners or operators against third-party claims for property damage or bodily injury arising from the operation of a vessel, excepting the limited collision coverage provided by hull insurance. Unlike many modern third-party insurance policies, P&I insurance is indemnity coverage, not liability coverage. Consequently, P&I policies typically do not require the insurer to defend the policyholder against a lawsuit or to reimburse a policyholder for loss unless the policyholder has actually paid a third party.

- **Marine General Liability (MGL) or Comprehensive General Liability (CGL) Insurance:** MGL and CGL policies provide third-party liability coverage for bodily injury, property damages and, potentially, trespass and nuisance. Unlike P&I insurance, these policies provide coverage for the defense costs that the policyholder incurs while defending against a lawsuit—which may be significant.
However, coverage under MGL and CGL policies could be subject to certain policy exclusions that could either limit or totally bar insurance coverage for marine-related claims. For example, standard-form CGL policies and even MGL policies often contain a watercraft exclusion that excludes coverage for damage resulting from the ownership, use, maintenance, loading or unloading of a vessel. Thus, MGL and CGL policies generally do not duplicate the coverage provided by P&I insurance; they are meant to complement P&I coverage.

- **Inland Marine Insurance:** Like ocean cargo insurance, inland marine insurance also covers goods in transit. Because ocean cargo insurance traditionally ended upon the delivery of the goods to port, inland marine insurance was developed to continue coverage of the goods as they moved inland. The historical type of marine insurance is now referred to as “ocean marine” insurance to differentiate it from inland marine insurance. Furthermore, inland marine policies are generally treated more like other commercial property insurance policies and unlike ocean marine insurance.

**HOW MARINE INSURANCE DIFFERS FROM OTHER TYPES OF INSURANCE**

Marine insurance was well developed for decades or even centuries before other types of insurance. This has led to, in part, marine insurance retaining many different features that have disappeared from, or never existed in, other types of insurance.

Moreover, marine insurance policies often use archaic English words or maritime terms, which can be confusing to 21st century readers. In order to help you and your company navigate the challenges associated with marine insurance, we have highlighted some of the common differences between marine insurance and other types of insurance. Despite these differences, most general insurance concepts also apply to marine insurance.

- **Risk Covered by Marine Insurance:** Although some marine insurance policies contain all-risk coverage, many retain an old formula naming the covered perils. For example, one ocean cargo policy contains the following named perils language: “Touching on the adventures and perils which this company is contented to bear and takes upon itself, they are of the seas, fires, jettisons, assailing thieves, barratry of the masters and mariners, and all other like perils, losses and misfortunes . . . that have come or shall come to the hurt, detriment, or damage of the said goods and merchandise, or any part thereof . . . .” Thus, named-perils marine insurance policies will generally cover only maritime risks such as storms, pirates, “barratry” (which means intentional acts by the crew) or negligent acts of the crew. Furthermore, the phrase “other like perils, losses and misfortunes” has been interpreted to mean only risks common to the sea.

- **Utmost Good Faith:** Unlike virtually all other types of insurance, ocean marine insurance imposes a duty of utmost good faith (or uberrimae fidei in Latin). This means that a policyholder must disclose all material information within its knowledge, even if the insurer did not specifically ask the policyholder for that information. If the insurer discovers that the policyholder has withheld material information, it can rescind the insurance policy.

- **Admiralty and English Law:** As maritime contracts, all marine insurance policies are subject to the admiralty jurisdiction of the United States federal district courts. Thus, federal common admiralty law applies to many aspects of marine insurance disputes, such as the customs and practices of the industry. However, federal courts have refused to create federal admiralty common law relating to marine insurance specifically, and as a result, state insurance law applies to the interpretation of marine insurance policies.

Further, marine insurance law is still strongly influenced by English law, such that federal courts frequently rely on and cite to English common and statutory law.

- **Average:** In marine insurance policies, the word “average” does not have its common meaning of “ordinary” or “the arithmetic mean.” Instead, the term should be read as “loss.”
  - The term “general average” in marine insurance refers to a principle whereby all parties to a “sea adventure” (i.e., the ship owner and the various merchants whose goods are on board) are made to contribute toward a loss of part of the ship or cargo.
  - Furthermore, the term “particular average” means some partial loss or damage to goods. This term is used in marine insurance provisions to limit an insurer’s liability for perishable goods or goods that are easily damaged unless the loss exceeds a certain percentage or “particular average.”